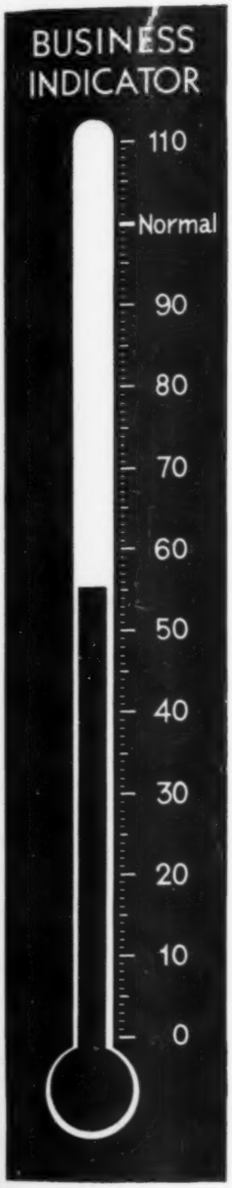
JULY 13, 1932

THE BUSINESS WEEK



Despite the unprecedented depths to which they have already sunk, the business indexes are still conforming to precedent by declining further at the outset of July, always the dullest season of the year. . . . When business has gone to the dogs, dog days are perhaps to be expected. . . . But the prospect of prolonged summer slackness even at the prevailing low level is made somewhat less disturbing by the appearance of a few faintly constructive factors in the situation in recent weeks, most of them so far ignored in the general grouchiness and gloom of business sentiment. Among these may be mentioned the stabilization of the volume of member bank credit outstanding in the larger cities, the cessation of the gold outflow and the steadiness of security markets and strengthening of commodity prices during June. . . . The painful approach to a provisional settlement of the reparations problem at Lausanne is hopeful even though the purpose may not be quite accomplished, and its potentially constructive effects are already reflected in the improvement in foreign bond prices. . . . Most fundamentally favorable is the reduction of the British bank rate and the courageous public debt conversion attempted in England. This is at once symptom and promise of progressive readjustment of unproductive debt burdens and increasing pressure to reduce the cost of long-term capital, both necessary steps toward the release of idle investment funds into new enterprise, upon which recovery depends. . . . All indications are that the world is entering upon the inevitable debt-scaling stage and the easy money phase of deflation which is the forerunner of expansion.

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This Business Week:

Foreign

Two events in England are of international significance, may have the greatest effect on world business recovery. The Bank of England's rate reduction to the lowest since 1897, and the announcement of the Treasury's long-awaited plan to ease interest burdens of billions of war bonds, are symptoms of a fundamental change in the world financial situation. *(p. 5)*

These events, and prospects of lower interest on German credits, signs of agreement on reparations, contribute to a world outlook more hopeful than last week. ***(Survey, p. 28)***

England says her quarrel with the Irish is a family affair, Ireland demands non-Empire umpires. Ireland refuses to pay, England threatens punishment by tariff, but the whole matter may soon be patched up. *(p. 24)*

Exporters are agreeably surprised by 1932 first quarter figures which show an unexpected improvement in foreign trade. *(p. 25)*

Washington

The annual statement of the biggest business in the world, the United States Government, shows it to be in the red. Most of the deficit is due to capital investment. Actually, U. S. Inc. is no more in the hole today than in 1926. *(p. 6)*

Marketing

Americans spend a lot of money for fun, as much as for the federal government. Part 12 of The American Consumer Market outlines the trends in recreational expenditures. *(p. 20)*

Statistically, cleanliness comes first: soap makers have done very well. But little companies too can now buy materials at low prices, sell soap as cheap as the Big 3. This and other competitive situations threaten a nice, clean business. *(p. 8)*

The potential boom in air-conditioning affects even distantly allied industries. *(p. 21)* Retailers offering cash or credit sell half their volume on tick. *(p. 21)* Advertising rate cuts mean revenue cuts rather than lineage gains. *(p. 9)* California peach packers couldn't control prices or production. *(p. 10)*

Farm

That back-to-the-land movement is real enough, but most of those bound for the farms are not city folk, but country folk who've had their fill of the city and would like their fill of food. *(p. 14)*

This demand has not been much help to farm real estate, however; values have fallen an average of 11% below prewar, follow the deflation of farm product prices. *(p. 16)*

Hope, especially in Iowa, is rising with hog prices. *(p. 12)*

Travel

Europe is surprised by the influx of tourists this year. Nowadays, it's as cheap to see the world as to live at home, and if steamship lines are making no profit, at least they are making future travelers. *(p. 22)*

Transport

Newspapers talk of a Czar of all the Railroads; railroaders think of a "Little Father" who will be a spokesman for their common causes and an arbitrator for their internal differences. *(p. 11)*

On the 170 "million-dollar roads," 1,343 executives drew down $10,000 a year or better in 1929. Now, there are 1,007 of them. The upper tenth of rail officials have taken cuts of 10% to 60%. *(p. 11)*

There are more ships than grain cargoes on the Lakes; Canadian owners plan to lay up half the bottoms to give the rest a living wage. *(p. 12)*

Pewter

Pewterware, perennial child of hard times, came back with antiques, is staying for the duration of the depression. Traditionally traded down, it suffers from price and quality cuts. A new association proposes standards to insure a more than temporary market. *(p. 10)*

Copper

American interests bit off a copper tariff; now, the world market is more than they can chew. British and Belgian interests are going after a larger share of it. *(p. 24)*

Gold

Bad times are good times for gold miners. World production set a new record this year. *(p. 12)*

Coal

Coal men welcome the promptness of the government in the test case to establish the legality of the central agency marketing plan. *(p. 7)*

Platform

Democrats used fewer words, said more about business. Some planks match up with the Republicans'; many promise stricter regulation. *(p. 22)*

Figures

Only commodity prices stand out against the general downward trend of major indicators at the end of the first half year. *(p. 32)*

In this issue:

"Money for Fun," Part 12 of The American Consumer Market

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending July 9, 1932

Conversion of British Debt Step Toward World Recovery

Opens way for investment in new enterprise and lightens burden on taxpayers

At the beginning of the second half year, two events occurred in England which are of much more than local significance. They may prove to be the most important developments from the point of view of prospects of business recovery here and abroad since the suspension of the gold standard by Britain, for they are symptoms of a fundamental change in the world financial situation. The Bank of England reduced its discount rate to 2%, lowest since 1897, and at the same time the British Treasury announced its long-awaited plan for converting about $7 billions of war bonds from a 5% to a 3½% basis by this fall.

So far as Britain is concerned, the reduction of the bank rate from 6% last September to 2% at the end of June is the logical extension of the financial policy she has persistently pursued since she went off gold. The intricate details of that policy are not yet fully understood by the outside world and need not be discussed here, but it has been based upon a much deeper and broader insight into the sources of the world depression and the problem of recovery than has prevailed elsewhere. It has been guided by the expert knowledge of the most eminent British economists, business men, and bankers who believe that, with freedom from fetters of the gold standard, easy money, especially in long-term interest rates, and expansion of credit can be depended upon to stimulate new capital investment, revive enterprise, and promote business recovery.

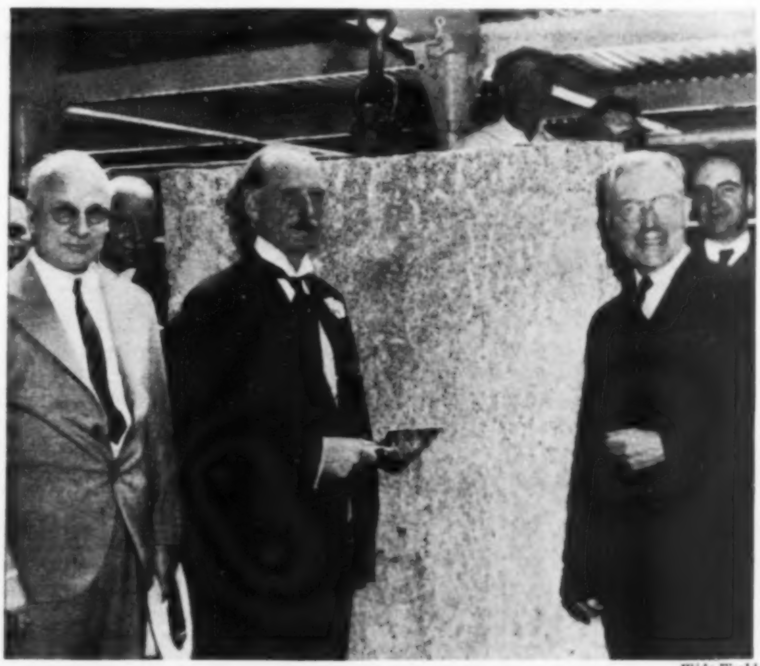
A Precedent of 1893

After the panic of 1893, the British Bank rate was reduced to 2% and held at that low level for a long period, a policy which played an important part in recovery from the depression of the '90's. This time England's easy money policy, supported by that of the Federal Reserve, is expected to produce similar consequences. The first effects anticipated are a stimulation of British trade, followed by a similar easing of money rates the world over. Its more immediate purpose was to facilitate and prepare the way for the gigantic debt conversion operation which is of even more fundamental significance for the international financial situation.

The colossal conversion stunt, if successfully accomplished, will of course cut the burden of the British public debt represented by the £2-billion war bond issue by 30%, almost as much as the decline in sterling commodity price levels, and save more than $100 millions yearly in interest charges to the Treasury, after allowance for the reduced income tax returns from the interest payments to bondholders. British government securities are not tax exempt, so that after income taxes the new bonds will yield only about 2.65%. This represents a drastic readjustment of the income of the rentier class, and of the overhead charges of the British public debt, to the prevailing commodity price level in England, which has been fairly steady since September.

Penalty for Recalcitrants

The readjustment may be even more drastic if the conversion operation is not complete. A powerful patriotic appeal will be applied to persuade bondholders to exchange their 5% bonds for 3½%'s, and early returns indicate that only a small fraction of individual British holders will ask for cash payment. But about a billion dollars of these bonds are held abroad, and enormous amounts are held by banks as short-term investments. If these holders demand cash, the Treasury will have to



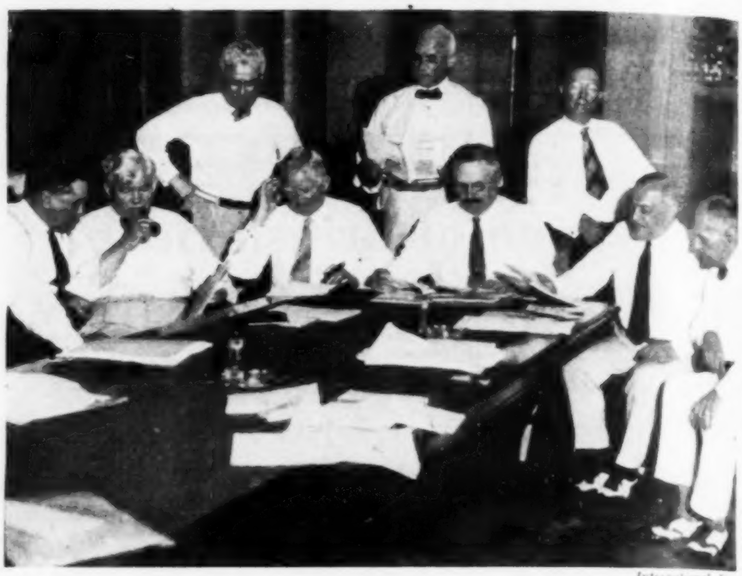
Wide World

British Empire Building—*Lord Southborough (center) head of the syndicate sponsoring the British building in Rockefeller Centre, lays the cornerstone. Left, is H. H. Stevens, Canadian Minister of Trade and Commerce; right, is John D. Rockefeller, Jr., host to the British delegation*

pay them by increasing the fiduciary note issue, which will mean a large increase in currency outstanding. The consequent inflation will reduce the value of the pound internally and depress sterling exchange externally, so that both old and new bondholders will be taking a cut in the purchasing power of interest and principal of the bonds. Thus either way the British taxpayer stands to gain, the rentier to lose, and the real burden of the public debt is bound to be reduced.

It Sets an Example

The British debt conversion is the largest single job of readjusting or writing down debt to the prevailing price level that has been undertaken since the depression began, apart from German reparations, which are now by way of being written off altogether. It is the most spectacular instance so far of the process of systematic, friendly or forced debt-scaling that is becoming more and more widespread and must become universal as a consequence of the deflation of prices and the increased value of money.



SHIRTSLEEVES RELIEF—*Senators and Representatives take off their coats to work out a compromise on the relief bill. Left to right, seated, Brookhart, Rainey, Garner, Norbeck, Wagner, Crisp. Standing, Bacharach, Treadway, and Collier. Presidential dissent prolonged their labors*

It is likely to be followed in other countries by similar refunds of long- or short-term debt, public and private, reducing the principal or interest rate or extending maturity to enable the burden to be more easily borne. France is considering it, even though revaluation of the franc has already wiped out three-quarters of her public debt burden; German industry is agitating for a write-down of long-term German foreign debts by two-thirds. The United States has nearly $7 billions of long-term war loans, almost as large as Britain, bearing 4¼% and ripe for refunding, but there are immediate difficulties in the way, discussed elsewhere in this issue.

How It Works

As existing debts are written down or interest burden on them reduced by negotiation or refunding, the way is opened for renewed credit expansion and for inflow of new capital into enterprise. More fundamentally favorable for business recovery, therefore, is the fact that the British conversion, taken in connection with the reduction of the Bank rate, is a signal that a general reduction in long-term costs of capital is now under way and that the easy money stage preliminary to business expansion has set in.

As the yield of long-term gilt-edge securities is lowered, the enormous volume of investment funds that have sought safety and liquidity in this form will turn to other securities now selling at prices which offer a higher yield. In this way the basis for rising bond and stock prices will be established, so long as there is no large volume of new government security issues overhanging the market. The effect has already been seen in the sharp rise in security prices on the British market.

Conditions are somewhat less favorable for similar stimulation of security markets here. But London is still the financial center of the world, with countries accounting for more than half the world's trade within the sterling area or in effect off the gold standard. The influence of her combination policy of reflation and debt readjustment and the force of her effort to ease long-term money rates cannot help but be felt everywhere.

The Federal Reserve authorities have been going along as far as possible in the same direction under the handicap of the gold standard and the effects have been slower, but they are certain to show themselves in time.

Capital Investment Accounts For Most of Treasury Deficit

Big floating debt and need of new loans bar our way to conversions just now

THE federal government has become the biggest business in the world, and the task of balancing its accounts at the end of its fiscal year each June 30 is probably the world's biggest book-keeping job, especially in a depression year. The book-keeper of this colossal concern, the Secretary of the Treasury, had to handle a total turnover of nearly $25 billions, what with new security issues and retirements, tax collections and expenditures. This gigantic turnover of money and bank credit is at all times a powerful and pervasive influence on the money markets, financial conditions, the income and outgo of individuals and business concerns, and in a depression year the books of this business reflect the changing fortunes of all the businesses and individual citizens of the country.

A year ago, on June 30, 1931, the Treasury closed its books $903 millions in the red, using red ink for the first time since the war. This year the deficit was increased by $2,885 millions, mak-

ing a total of $3,788. In each of these 2 years, however, the government continued to pay into the sinking fund the amounts required by law for debt retirement, and Mr. Mills points out also that the aggregate deficit for these 2 years was only a little more than the total surplus since 1926 ($3,460 millions) which had been applied to reduction of the national debt in excess of requirements. On balance, therefore, Uncle Sam was not actually more in the hole than he was 6 years earlier, and had only used up his excess reserves.

Expenditures Mostly Investment

The deficit for the fiscal year ended June 30, 1932, was the result of expenditures of $5,006 millions, which were $786 millions larger than the year before, and receipts of $2,121 millions, which showed a decline of $1,196 millions. The increase in expenditures was chiefly due to extraordinary outlays arising from the depression—notably $500 millions for capital of the Reconstruction Finance Corporation, $125 millions for additional capital of the Federal Land Banks, increases in federal aid for highway construction and other public building, as well as veteran aid. Most of the increase in expenditure was in the nature of capital investment from which some return may be expected. Exclusive of such items, federal expenditures were about $100 millions less than were estimated last November.

The decline of $1,196 millions in revenue was of course mainly the result of the depression. Income tax receipts were $1,057 millions, or $803 millions less than in the preceding year. Customs duties yielded $328 millions, down $50 millions from last year. Other internal revenue income was $503 millions, or $66 millions less than for 1931, chiefly due to decline in the tobacco tax. Postponement of war debt payments set us back $252 millions. It looks as though this amount will also be missing from this fiscal year's accounts, although it is hopefully included in the budget.

The Public Debt

To keep the wheels of government going during the past fiscal year, the Treasury borrowed $9,634 millions and paid off $6,948 millions, leaving a net increase in the public debt of $2,686 millions for the fiscal year. Of the new security issues only $800 millions were in long-term bonds, the rest of the paper shuffling being done by short-term notes and certificates. In this way the Treasury was able to save about $12 millions in interest, because it paid a relatively low rate on the short-term paper issued. But the policy of taking advantage of the abundance of short-term funds in banks seeking temporary investment during a shaky period has left the Treasury with an enormous volume of floating debt—$6,161 millions as compared with $2,987 a year previous. The banks are simply stuffed with this paper and a large amount of bank credit and bank deposits are tied up in this form. In fact the proportion of the total of outstanding government securities held by banks at present is probably 30% of the total, more than 4 times as great as in 1921. This is largely because the short-term securities are not suitable for individual investment. The task of handling this mass of floating debt in such a way as to relieve the banks of carrying so large a part of the public credit is one of the most important that will confront the present Secretary of the Treasury or any new one who comes into office.

Two Crucial Questions

The two principal problems that are suggested by the federal fiscal situation are: Will the deficit be further increased during this fiscal year? and, Will the Treasury be moved by the example of Britain to try to convert some of the vast volume of floating debt, or some of the Liberty Loan long-term bonds callable this year and next, into new long-term issues at lower rates?

Speculation is useless at this stage. Everything depends upon the course of business, which will affect both expenditures for relief and the yield of the new taxes. The economy bill and cuts in appropriation bills may at best reduce ordinary expenditures by $325 millions, but this will be offset by failure to receive foreign debt payments, and by any new relief demands that may develop. The new revenue measure, it is generally felt, will not yield the $1,118 millions of additional taxes expected of it if business continues at present levels or gets worse, so that additional taxes will probably have to be raised by the next Congress. If business improves, however, the yield of the new and existing taxes will rise rapidly and the Treasury may find itself with a surplus a year from now. At the moment the chances slightly favor a further increase in the deficit, and additional federal borrowing during this fiscal year.

What Will Business Do?

The extent of such additional borrowing will probably be the most important factor affecting the Treasury's decision regarding refunding or conversion of any of the callable Liberty bonds or of the floating debt. If further borrowing could be avoided by drastic reduction in expenditure or by unexpected improvement in the yield of the new taxes, Uncle Sam might well be moved to take a leaf out of Britain's book and attempt to save some money by extensive conversion of the Fourth Liberty Loan issue, callable 1933-38, of which over $6 billions are outstanding and on which it pays 4¼%. That it is not thinking of any such thing yet is indicated by the fact that it let June 15 pass without mentioning the First Liberty 4¼s of which only half a billion are outstanding but which are callable after that date. It will probably be much more concerned with the problem of selling the debentures of the Reconstruction Finance Corporation, now increased by another billion or a billion and a half under the new Wagner bill, and of handling the $6 billions of floating debt, before it begins to think about any big conversion scheme.

Cartel Sells One Car of Coal To Hasten Court Test of Plan

COAL men are gratified that the Department of Justice has moved so promptly in a suit to determine the legality, under the Sherman Anti-trust Act, of the central sales agency plan set up by 136 bituminous mining companies early this year (*BW—Jan20, Feb17'32*). The government applied last week for a permanent injunction restraining the coal companies from carrying out the combination.

The plan was submitted in advance to the Department of Justice. William J. Donovan, former head of the anti-trust division, thinks it is legal. But another Buffalonian, John Lord O'Brian, disagrees with him, and it happens that Mr. O'Brian is running the office now. The coal men asked for an early court test. The government has promised to expedite the proceedings as much as possible.

National Coal Association worked out the plan under which the overwhelming proportion of producers in Kentucky, Tennessee, Virginia and West

Virginia set up a single sales agency to act for all, under the corporate title of Appalachian Coals, Inc. The sales agency, so the government alleges, had complete authority to fix prices, and by allotting orders, to control production, all this being in restraint of trade.

Appalachian Coals has actually sold only one carload of coal. The court might hold, therefore, that the government's petition presents a moot question and throw the case out with the vital issue undecided.

Just a Moot Point?

Or the court might apply a "rule of reason," heretofore invoked only in cases of corporate monopoly, and conclude that the plan doesn't embrace enough tonnage to constitute undue restraint of trade. Members represent 70% of the region's production. A decree restricting operations to a maximum of 70% would destroy its usefulness. Outsiders would force the insiders to abandon the scheme. To succeed the plan ought to market 90%.

If the legality of the plan is sustained, similar organizations will be established in the other producing fields and the industry will have an opportunity to demonstrate whether it can reform itself.

The prospect of legislation under which the government would assume direction of the industry is always in the background. As a substitute for the Davis and Lewis licensing bills, with which the Senate subcommittee has been dawdling for several months, Senator Hayden has introduced a bill designed to force producers into a Coal Protection and Conservation Association similar to the British cartel.

Government Regulation Plans

The Davis and Lewis bills seek to restrict the privilege of shipping coal in interstate commerce to licensees under discipline of a federal commission. The difficulty is that this method could not reach beyond corporations to partnerships and individual producers and would not apply to intra-state sales; Pennsylvania, for example, consumes 40% of its own bituminous output.

Senator Hayden would enable members of the association to claim a drawback of 98% of a 10% tax levied by Congress on the value of coal at the mines. The senator says it is within the power of Congress to levy "taxes to provide for the general welfare." He cites numerous precedents. On the other side, there is the Supreme Court's decision in the second child labor case that Congress cannot use the taxing power as a vehicle for legislation with another objective.

Soap Tax Sharpens the Warfare Among the Big Manufacturers

So, with costs favoring the little fellow and private brands making trouble, they have their hands full

Application of the 5% federal tax to toilet soaps set off a new series of price skirmishes among the big three of the soap industry. The trinity includes Procter & Gamble, Colgate-Palmolive-Peet, and Lever Bros., whose home is England but whose market is the world. For a year price cuts have been rampant. Instead of passing along the tax, Lever and P. & G. have used it as an excuse for another reduction. In the case of Lever it is not a direct cut but it amounts to the same thing since the company announces that it will "temporarily absorb" the tax on Lux, Lifebuoy, etc. With P. & G. there was a straight 30% slash in wholesale prices to which the 5% tax was later added.

Keeps Up Advertising

Palmolive is standing pat for the time being, passing along the tax as a separate item on its bills. This company has carefully advertised its product as a beauty soap; it hopes, with this idea firmly imbedded in the feminine consciousness, to sustain its volume without following its huge rivals downhill. It will undoubtedly make concessions to land big orders but hopes it will not be forced to go further.

Directors of Colgate-Palmolive-Peet recently re-affirmed their faith in advertising, cut the common dividend to continue this form of promotion. The quarterly dividend was reduced from 62½¢ to 25¢. A statement explained that the company had maintained its position in the soap and toilet goods market through generous investment in advertising. Its determination is to continue "its advertising campaigns on a basis that will keep the position of the company in the industry and the reputation of its advertised brands in the minds of the consuming public."

Ivory (P. & G.'s leader) now sells for $4.70 a hundred 6-ounce bars, tax included, against the old rate of $6.30. On the face of the new quotations, odds are against Palmolive. Wholesale price of its soap is $9 a gross, plus a 45¢ tax, total $9.45. Lux is $8.75 a gross, tax included. The last two soaps pass at a face value of 10¢ a bar, but both can be bought retail at 3 for 25¢. Naturally a store will force the brand that gives larger profit percentage. Since Ivory now costs 4.7¢ a bar, the return of a general 5¢ retail price is expected. Competing soap makers would like to add the tax to their prices; it remains to be seen whether they will meet the cuts of their rivals.

Fight Here, Fight Abroad

Since the English Lever firm entered this market the makers of Ivory have fought it bitterly. In 1930 Procter & Gamble counter-attacked by purchasing at depression prices the British firm of Thomas Hedley & Co., Manchester, doubled the Hedley plant and is now planning a second one at Newcastle. Undeterred, Lever built a plant at Hammond, Ind., to complement its East Cambridge, Mass., production. Also it studied the magnificent earning performance of P. & G. and discovered therein indicators that pointed its attack in another direction.

Believe it or not, P. & G. net earnings rose from $21 millions plus in 1929 to $25 millions plus in 1931. One answer was the sustained sales and prices of cooking fats, including the widely publicized Crisco. Shrewd Lever eyes watched the rise of this business, decided to capture some of it. Result was the building of a plant soon to be opened at Edgewater, N. J.

Judged by statistics, cleanliness has stood up better than godliness during the present stress. Soap production has remained around 1½ billion pounds. There is little unemployment. Up to the middle of last year there was almost no price cutting. Also the industry had enjoyed since 1929 a heavy drop in raw material prices. (Raw materials are 33.3% of domestic soap costs, labor only 4.5%.)

Forgotten Little Fellows

From the peaks of their eminence the big three make large claims of production. P. & G. estimates it does 40% of our soap business; Lever and Colgate-Palmolive-Peet are credited with a 30% each. But this totals 100%, makes no allowance for some 200 independents including the big packers. (The packers were driven into the soap business years ago when the price of tallow fell so low that it was processed

and sold in soap. Combined they now do a huge business.)

It was these small producers who drove the big three to price reductions. For years the large companies had been on top. They got low quotations on raw materials by purchasing ahead in vast quantities. But when prices crashed, the smaller manufacturer, buying supplies as he went along, was able to take advantage of every lower figure. He has been making money—more in proportion than his larger competitors. Loaded with heavier capital expenses the big fellows know that times are hard.

Materials Cut to a Third

An amazing condition prevails in raw materials markets. Tallow that cost some 3½¢ a pound is selling for 2½¢. Cocoanut oil, costing about 4¢ to deliver, sells for 3¢ a pound. Rosin that used to be 3¢ is now 1¢. Prices generally are a third of old normals.

Small manufacturers who have been riding high on universally low costs of supplies must some day give place again to larger organizations which obtain a price edge through huge order placements. The big fellows pray for the return of those days. Marketing problems irk them sorely. Most serious is the paradox of manufacturing for competitive private brands. One company supplies chains with soap at $2.20 a 100 bars, which is exactly the same article it sells under its own brand at $4.50. Chips and flakes have gone very well. (Women waste soap in this form; use it much faster.) Small manufacturers capitalized this market with bulk flakes sold f.o.b. the barrel. Big producers followed. Now one supplies bulk chips at 7¢ a pound which compete with the same product packaged and nationally labeled at 10¢ for 8 ounces. Private brand laundry soap competes with advertised bars of the same origin, much higher priced. Many executives are beginning to wonder if it would not have been better to reduce the price of the advertised brand; to earn the good will of the customer while protecting the name which has been built up at a cost of millions.

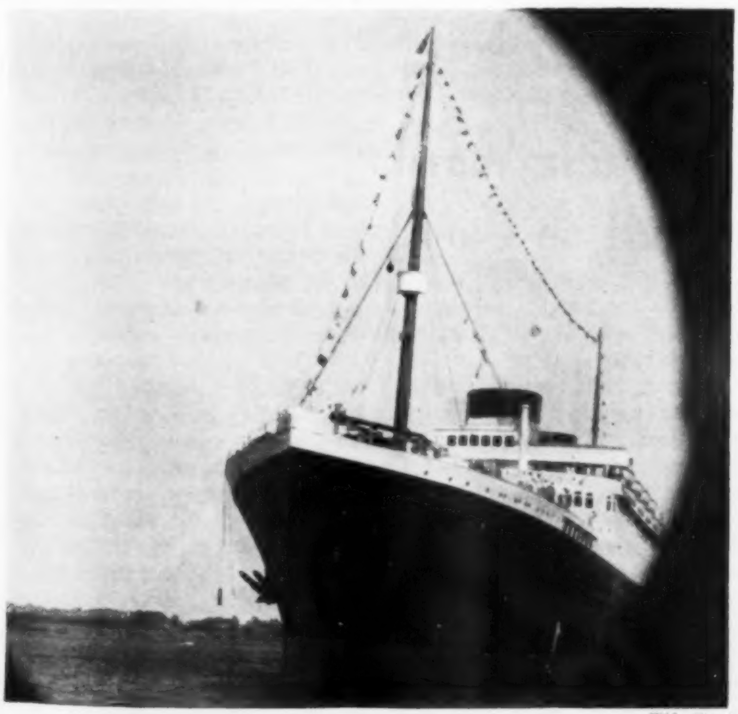
Hardware Men Think They're Better Than That

HARDWARE dealers, full of merchandising pride, cannot believe that they account for only 0.9% of the retail sales of electrical appliances. When this figure popped out of a survey conducted by the Policyholders' Service Bureau of the Metropolitan Life Insurance Co. (*BW—Feb18'31, May18'32*) and sponsored by the National Electric Light Association, the National Retail Dry Goods Association, and the National Retail Hardware Association, the latter hastily disclaimed authority. Chief technical criticism: Sales of appliances through wholesalers are not included; hardware men would have made a far better showing if they had been.

The Retort Courteous

Defenders of the inquiry reply that the association's views may have been distorted by the fact that its membership is made up of the most progressive and alert merchandisers in the field. They add that the membership represents only a comparatively small percentage of our 26,000-odd good, bad, and indifferent hardware retailers.

Both sides are hastily examining check figures. A recent survey of retail electrical appliance sales in an important Eastern city made by a group of McGraw-Hill publications credits 4% of such sales to the city's hardware dealers. However, 66.2% of the hardware total was accounted for by one exceptionally progressive dealer, 33.8% being split up among 10 others and leaving their showing but slightly better than that produced by the joint survey. In contrast a field survey made by *Electrical Merchandising* in 14 typical communities credits the hardware man with 9% of the total appliance sales, and a U. S. Department of Commerce survey in Connecticut, selected as a typical state, gives him 8.2% of such sales.



Wide World

M. S. GEORGIC—*Porthole portrait of the White Star's fast new cabin ship as she dropped her hook at Quarantine, New York, on her maiden voyage. She is Britain's biggest cabin liner, 27,000 tons, 690 feet long*

Rate Cut by Curtis Co. Jolts Publishing World

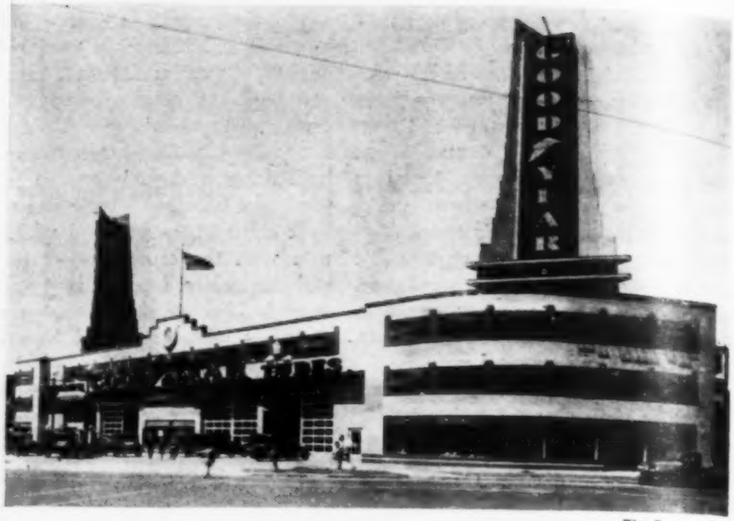
ALREADY bleeding from heavy cuts in advertising volume, looking forward sadly to increased expenses from the new postal rates that became effective July 1, magazine publishers felt that Curtis Publishing Co.'s 10% cut in advertising rates was a heavy blow. Due to the prominent position of Curtis in the field, it was predicted that most magazines of general circulation would be obliged to meet this competition. Some already have done so.

Moreover, publishers feel that a 10% cut in rates means a 10% drop in revenues; in other words, that lower prices at this time will not increase advertising volume by so much as a quarter page.

Action of the Curtis Co. came as a surprise to many. Other leaders of the industry had argued that their rate were justified—that they had taken their deflation in terrific loss of volume without corresponding decrease in expenses, fur-

thermore, that they were giving the advertiser excellent service out of greatly shrunken revenues. The Curtis Co. participated in some informal conferences of publishers with large advertisers, and apparently concurred with the other publishers. Suddenly, the company made its announcement.

Shrinkage in advertising volume has been spectacular. June volume in 1932 was 1½ million lines as against 3 million in 1929, according to the *Printer's Ink* tabulation for all magazines of general circulation. Weeklies dropped from 856,000 lines to 542,000. Women's magazines, from 735,000 to 476,000. Other monthlies, from 1,300,000 lines to 503,000 lines. Alert marketing strategists are taking advantage of the opportunity afforded by high visibility and decreased competition for the reader's attention.



The Business Week

SUPER-SUPER-SERVICE STATION—*Goodyear's huge new retail store in Cleveland is built of blue and yellow brick, Goodyear colors; blue neon signs glow on its 90-foot towers; 24,000 watts of floodlight illuminate its 18 gasoline pumps. Under one roof are lubrication shop, brake shop, tire store and shop, battery shop, accessory store, and customers' rooms*

Cling Peach Packers Can't Cling to Control

FIRST they tried to cut down the supply by uprooting surplus orchards (*BW—Aug12'31*). Then they tried to manipulate the demand by getting together, 27 strong, in a cooperative sales organization and an agreement to hold this year's pack to 4 million cases (*BW—Dec23'31*). Then, last week, they decided that, after all, there is that economic law, and California's price-pegging peach-packers dissolved their Cling Peach Agency. From now on the control job will be left to the bankers who still have their old-fashioned way of applying the financial screws to packer clients for loans. An attempt to continue the life of the agency found too many standers-out. "Price pegging offers further proof of its own futility," said New York's fruit-wise *Journal of Commerce*. "Peaches, so to speak, cannot lift themselves by their own bootstraps." And so to speak is probably to attune the criticism to the comedy.

Pewter Makers Want Their Ware To Have Future as Well as Past

PEWTERWARE, now enjoying a popularity resulting originally from the antique craze, is endangered by the over-eagerness of manufacturers for orders. To protect the market from price-cutting, design piracy, inferior quality and other depression ills, the Pewter and Hollow Ware Manufacturers Association has been formed. Its trade relations counsel is Benjamin Schwartz, who serves similarly the Institute of Scrap Iron and Steel, Empire Metal Merchants Association, White Metal Institute.

The cheapness of pewter aided the antique fad in building demand during the past few years. Waning sales of more expensive wares drew plate and silver manufacturers crowding into the field. Soon they began stepping on each other's corns. Mr. Schwartz warned the makers that if they didn't get together and control unethical habits they would kill their market within a year.

Most serious have been abuses in the fast-moving $1 lines. Things like this happen: Department stores (some of the same ones now decrying the tide of shoddy merchandise) go to manufacturers with demands for, say, a $1 coffee pot. To fill it, the maker skimps on thickness and metal composition. Result: The pot gives way under the heat, an enemy of pewter had been created.

A platform to cure such evils has been prepared. It provides:

(1) Filing of designs to prevent piracy; disputes to be arbitrated.

(2) Reclassification to remove from standard lines articles that cannot be produced honestly in the given price class.

(3) Gauge regulations to increase thickness and durability.

(4) Users of these gauges permitted to stamp their products, "Quality Pewter—Free from Lead."

(5) Advertising campaign to emphasize the quality drive.

(6) A bond by each member to guarantee adherence to association rules.

At a meeting last week the program was adopted, the only argument to go over being specifications of thickness for various purposes.

The pewter people believe that there is a permanent field for the product if it can be properly controlled. Chief difficulty is with the temporary invaders out to get what they can from the market while they are in it—to whom present sales may seem more important than permanent standards.

The heat-resisting pewter is made of tin, antimony, and sometimes copper. Lead interests naturally object to the stamp line ruling out their metal, declare that many pewter articles (ash-trays, lamps, prize cups, water-pitchers, chandeliers, etc.) require no defense against heat. To this the association agrees. It urges manufacturers to use lead-pewter only in novelties. Naturally, these could not display the "Free from Lead" stamp.

Railroads, Talking of a "Czar," Mean a Spokesman-Arbitrator

Earnest efforts being made to form a united front against common foes

IMPORTANT things have been happening at those long, earnest, and harassed sessions of the Association of Railway Executives at New York's Hotel Biltmore. Long newspaper columns of highly technical data on the Reconstruction Corporation's rail relief operations are being shortened to make room for reports that the railroads are evolving a program of self-help. Bond buyers, governmental observers, and business men have been pricking up their ears at intimations that the roads are about ready to present a united front—to Congress, to their competitors, and to the lingering but lately less rugged individualists in their own ranks.

Best headline word for the railroad news of the week was "czar" but railroad men are saying that there's more to the word than the news writers saw in it. Back of the story that Western roads have agreed "in principle" to the setting up of a czar-ruled commission to arbitrate differences and eliminate destructive competition lies the fact that not the Western roads alone but the whole industry is seriously considering the appointment of what goes in journalese as a "czar." The nomination might fall on Walker D. Hines, Kentucky-born New York lawyer whose "War History of the American Railroads" tells of the days when he was a real rail czar as director-general of the railroads (Jan10,1919–May15,1920) under government operation. But any nominee would be more an arbitrator and much more a spokesman than a dictator.

Spokesman Needed

If the rail executives finally balk at a czardom or substitute for it the Executives Association's proposed presidential war board made up of Daniel Willard of the B. & O., J. J. Pelley of the New Haven, and Carl R. Gray of the Union Pacific, it will not be because they have changed their minds as to the evidence that they have too long overlooked their mutual need for a spokesman. If the higher strategists don't know it, the lesser ones, particularly the traffic officials, can tell them that they need a man who can give and "take it" without involving individual roads in such reprisals as have followed some recent fights.

While the roads have been conducting an offensive for more favorable legislation and trying to put down sniping in their own ranks, they have been heavily engaged in a defensive against new competitors—notably against the pipelines and the trucks. Heavy handicap in this action is the fact that the oil companies that have built pipe lines and the automobile manufacturers who equip the truckers are also important contributors to carloadings. The pipelines have not yet emptied the tank cars nor are all automobiles as yet driveaways. And the lines of interests associated with the oil and automobile businesses are far-flung.

United Front

This was recently demonstrated with thoroughgoing clarity to one rail president who volunteered to lead a state legislative fight against the truck lines—and immediately lost traffic to rival roads—not, as the shippers were careful to explain, because they liked the other roads any better but because they intended reprisals. Future battles of this kind, he and his embarrassed rivals agree, must be carried on under the impressive anonymity of "the railroad industry." And only the railroad industry as a whole can do anything about that bargaining of traffic for rail supply orders which the roads have been defending in public and deploring in private.

Equally apparent to the rail executives and more apparent to the outsider is the railroads' need of an arbitrator or an arbitration commission to pull them together on rate questions and on train schedules. The executives themselves have emphasized the frittering away of revenues provided by the rate increase of last fall through subsequent rate cuts in the internecine warfare. Outside critics have hammered at excessive facilities, called for pooling of passenger traffic, for unified action on the extension of store-door delivery, for improvements in supply-purchasing, and many other economies. Railroad heads who have had research staffs busy on the criticisms are not so sure of the economies. For instance, they point out that, while it may be wasteful to have competitive trains making the St. Louis–Chicago and Chicago–Minneapolis runs on precisely the same schedules, suggestions for the pooling of similarly competitive traffic between such distant terminals as New York and Buffalo overlook an important fact. The rival roads running between these terminals usually cover entirely different territories and profitable traffic goes to intervening stations reached by but one of them. These things look simpler to critics than to experienced railway men.

However, many economies are possible through united action and the proposed merger of the Association of Railway Executives (policy) with the American Railway Association (technical problems) is expected to simplify the attack on them. But more important in the minds of those who are back of it is its promise of a united action on all fronts. Railroad strategists who appreciate the importance of public opinion in the fight ahead realize that as beggars of public credit they must also make some show of being choosers of their own destinies.

Railroads' "Upper Tenth" Have Been Cut 10%-60%

A REPORT by the I.C.C. on salaries of railway officials reveals that the "upper tenth" have taken cuts of 10% to 60% in the past 2 years. There are now only 1,007 officials on the 170 so-called "million-dollar roads" that are receiving salaries of $10,000 a year and up, compared with 1,343 in December, 1929.

Salaries of 27 board chairmen and 83 presidents (or receivers) range from $9,000 to $135,000; 80 vice-presidents from $5,400 to $76,500; and 46 other executive officers from $5,000 to $80,000. In the operating departments 65 chief officials draw down $5,900 to $18,000, and 41 chief traffic officials, $9,000 to $45,000.

Few Rich Railroaders

All told, 336 rail officials are getting salaries of less than $10,000; 835 from $10,000 to $25,000; 133 from $25,000 to $50,000; 34 from $50,000 to $100,000; and 5 from $100,000 to $135,000.

The $121,500 salary now paid to W. W. Atterbury, as president of the Pennsylvania; the $135,000 that Hale Holden gets as chairman of the executive committee of the Southern Pacific; the $90,000 paid to Leonor F. Loree as president of the Delaware & Hudson and chairman of the board of the Kansas

City Southern and the Texarkana & Fort Smith; Daniel Willard's $120,000 stipend as president of the Baltimore & Ohio—all represent cuts from $150,000. And L. W. Baldwin's combined remuneration as president of the Missouri Pacific, Gulf Coast Lines, and International & Great Northern and as chairman of the Board of the Denver & Rio Grande Western, now $98,167, was formerly $125,000.

The I.C.C.'s order on the railroads to report on the extent of salary cuts in their executive personnel since December, 1929, was prompted by criticism in Congress of loans made by the Reconstruction Finance Corp. to banks and railroads paying large salaries. After naming several of the high-salaried rail executives Senator Couzens asserted in the Senate June 27 that these are the men who are trying to wreck the I.C.C.'s organization for carrying on valuation of railroad properties and figuring their liability to recapture of excess earnings.

Largely as a result of his efforts the Senate restored to some extent the appropriations that had been cut to the bone by the House on the theory that the commission's accounting work would be reduced by repeal of recapture and the abandonment of valuation as a rate-making base. Both of these proposals will hang fire until the December session. The senator insisted that, aside from rate-making and recapture, the data on railroad valuation are valuable in determining collateral requirements for loans from the R.F.C.

Canadian Lake Carriers To Pool Grain Cargoes

THE same difficulties that follow in the wakes of the light-laden ships tramping the salt sea waters are churned up by the propellers of the Great Lakes steamers. There are too many propellers ready to push grain cargoes between Fort William and Montreal and too few cargoes. Rates have been forced below 4¢ a bushel. The steamship companies say their operating costs per bushel are several cents higher.

From this dilemma Canadian lake steamship owners are seeking the same type of escape that has appealed to those transoceanic lines which have tried to cut their losses by pooling arrangements. They are going to incorporate a company to act for all of them in arranging grain charters; will appoint a manager at Winnipeg, the principal grain center, to allocate available cargoes in accordance with the carrying capacity of each company's fleet, collect all freights and brokerage. Under this guarantee of an impartial deal, half of the available Canadian grain tonnage on the lakes will be laid up, leaving the steamers kept in operation a chance to show earnings.

Gold Rush of 1932 Promises A Record But Not a Recovery

GOLD miners are doing their best to cure the depression. They are straining every facility to produce the ingots which, added to the world's monetary store, have a tendency to make gold less scarce and prices, therefore, higher for all other commodities. At best, however, price recovery would be slow if it depended upon gold accumulation alone, for the increase of this year's production over last will be but 1½ million ounces, or $31 millions.

Production for 1932 is estimated at 22.8 million ounces. The previous high record, attained in 1916, was 22.7 million ounces.

Recent production and dollar value:

1929	19,500,000	$403,065,000
1930	20,150,000	416,500,000
1931	21,300,000	440,271,000
1932	22,800,000	471,276,000

Most of this goes into monetary stocks, little into the arts and industries. Added to the monetary stocks is gold which comes out of hiding attracted by the premiums paid in various currencies—as India now is yielding up hoards to be converted into sterling. Also such adventitious stores as the $4 millions to be recovered from the sunken liner *Egypt*. Subtracted are to be the amounts withdrawn from hoarding by frightened Americans and Europeans.

The Federal Reserve Board's annual report, just issued, shows that of last year's production only $45 millions went into commercial and industrial uses. Some $275 millions came out of hoarding in China, Russia, and India. About $450 millions passed into the monetary stocks of the central banks and $220 millions into private bank holdings, and into hoarding.

Gold mining is a profitable business. S. D. Strauss, writing in *Engineering and Mining Journal*, has been able to gather accurate figures for mines which produce 75% of the world's total output. These mines treated 50 million tons of ore in 1931, averaging ⅓ ounce of gold per ton, or $6.60. The average profit is 25% to 35% of the value of the gold produced, which is to say that the average cost of producing gold is somewhere around $15 an ounce. The price, of course, is always $20.67.

The Rand field of South Africa produces more than half the entire annual output, from a district 60 miles long. Many of these mines have been producing for 40 years, and some workings are now a mile and a half deep. It has been predicted that production from the Rand must begin to show a sharp decrease within a decade. Other authorities dispute this. For one thing, they believe South Africa will presently abandon the gold standard. This would reduce mining costs, and a decrease in costs of 2 shillings to the ton of ore would make it profitable to begin treatment of large supplies of low-grade ores.

Russia is the great unknown factor. The Soviets are believed to be expending a considerable amount of money and effort in prospecting throughout their vast territory. There is always the possibility of a great find. Moreover, the Soviets have fields which various authorities believe could be made splendid producers with better technical advice.

Improvement in mining methods is trending toward mechanical devices and flotation processes which sort the rock output, selecting the richer part and rejecting the barren, so that there is much less of the costly grinding of what the old-timers call "tombstone materials."

Chicago Counts Hogs As Prices Zoom

AFTER a downswing in the March–May period that carried it to the lowest level since 1896, the significant pendulum of hog prices has been climbing through the most remarkable rise in years. Hogs were $3.40 a cwt. on the Chicago market on June 1, $5.15 at the top ($4.70 average) on July 2. This was still well below the $6.25 of a year ago.

Whether it will continue to climb is something else. At bottom this rise is seasonal, though it has started a little earlier than usual because the peak in the 1931 fall hog crop movement—about the third week in May this year—

A trip he'll never forget!

You promised your boy a trip to the National Capital. And here he is today, living the scenes of his history book. Uniformed officers and gentlemen in distinguished dress bring a pageant of the romantic past to his youthful and vivid imagination. He'll never forget his trip to the top of Washington Monument, though he probably will not remember the faithful and convenient conveyance which sped him there — *a swift and silent elevator.*

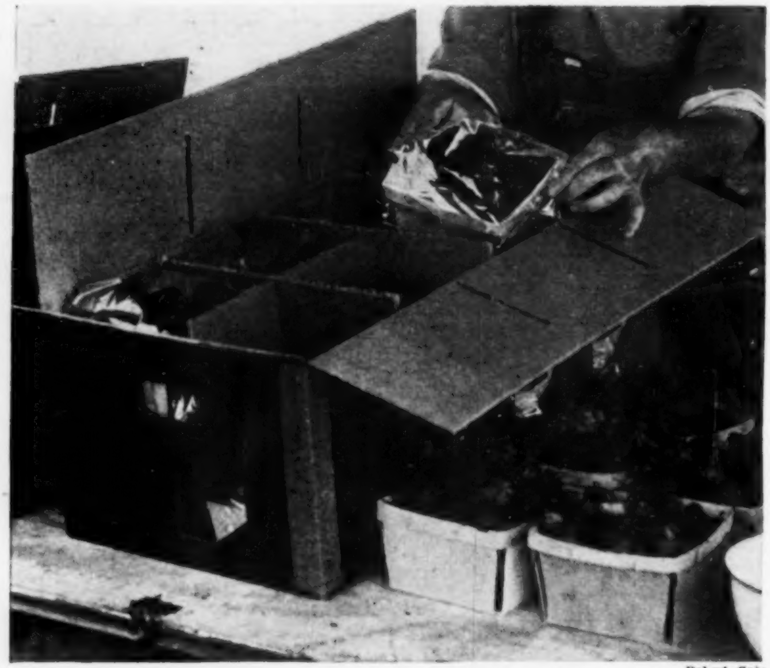
It is easy for people, young and old, to forget the modern* elevator. It does its work so easily and unobtrusively, there really is no reason to take note of it. And this is really a tribute to its smooth and silent motion and to men largely responsible for its development—the engineers of Otis Elevator Company.

From their years of conscientious effort have come elevator speed without unpleasantness, completely enclosed cabs which hide unsightly hatchways, automatic devices which carefully open and close doors and bring the car to the exact level of the floor, these and many other elevator improvements and inventions.

Because the efforts of Otis engineers have been directed not only to the making of fine new elevators, but also to ways and means of modernizing older ones, almost *any* elevator can be brought up to date at extremely low cost. If the elevators in your apartment home or office building are not in perfect condition, speak to the owner about it. Tell him how, under the Otis Modernization Plan, these elevators can be made to give the service and comforts of a new installation. Suggest that he call the Otis office and ask that engineers inspect his elevators. This service is free.

**A modern elevator is not necessarily new. It can be an old one made modern through the Otis Modernization Plan. The elevator in Washington Monument, for example, is a modernized one.*

OTIS ELEVATOR COMPANY



Robert Gair

Packaging for the Farm—*Long Island market gardeners tried packaging their products this year. Strawberries wrapped in cellophane brought higher prices. Green paperboard crates eliminated the deposit-and-return nuisance encountered in the use of the old fashioned wooden crates*

came sooner than expected. But hopeful Iowa, where the big hogs grow along with the tall corn, is betting that, with the supply of the fall 1931 crop running under last year's level instead of 10% to 15% over as predicted and with the 1932 spring crop also 10% to 15% short, the new prices will not bring in enough hogs to break the market. The bet is based partly on the sad assumption that Iowa hog raisers have been too short of money to keep back any reserves. If, however, they have been holding out on the $3.40 market, all bets may be off. Chicago hog receipts rose from 80,595 in the week ended June 25 to 91,000 in the week ended July 2.

Back-to-the-Farm Movement Born of City Unemployment

Few are inexperienced urban folk; they are country people, disillusioned

Unemployment, discouragement, disillusionment, are driving population out of the cities, back to the rural districts. Reflected in the census of 1930, the trend has been accelerated since, say realtors specializing in farm lands in every section of the country.

The movement is nothing tremendous as yet; it is probable it portends no great upheaval in American life, or in consumer markets. But it is large enough to be interesting and of some importance. During the year from April 1, 1929, to March 31, 1930, 680,822 persons removed from incorporated towns or cities to farms; 372,483 persons moved from farms to urban districts. On balance, then, 308,339 more persons gave up city life for rural than were drawn from farm to city.

In many cases, this represents a temporary shift. When mills reopen, the hands will go back to them. Meanwhile, they have gone home. But in many other instances, families have decided that the farm, after all, offers a living of sorts, always. The city sometimes offers breadlines.

In 15 states, the movement from town to farm exceeded 20,000 for the year. Deducting the cityward drift, the balance of movement farmward for the 15 states follows: Texas, 26,000; Oklahoma, 18,000; California, 17,000; Michigan, 15,000; Missouri and Kentucky, 14,000 each; Ohio and Tennessee, 12,000 each; Arkansas and Georgia, 11,000 each; New York, 10,000; Pennsylvania, Illinois, Indiana, 9,000 each; Iowa, 5,000.

3 Classes of Buyers

Dealers in farm lands tell *The Business Week* they are selling more farms than for many years. The demand comes from 3 classes of buyers. Most important are people who were brought up on the farm, moved to the city, and now, disillusioned, want to get back on the soil. Second in importance are investors. Stung in stocks and bonds, they are tempted by the low prices of rural acreage. Apparently there is considerable of this investment buying, and, according to some dealers, it is not very shrewd buying, for the city investor buys on price, not realizing that the higher-priced land may be much the better investment. A third class, not very important except in the vicinity of New York City and Philadelphia, and perhaps Boston, is picking up "weekend" places, with the canny thought, no doubt, that these are possible "storm cellars" in which to await the turn of the times. By and large, the city-born man is not going to farming.

Rental Demand Brisk

So much for purchasers. There is also a lively market in farm rentals. Here, again, the newcomers are men with farm training in years past.

Individual comments of dealers are interesting. Sand Springs, Okla., and Billings, Mont., wide apart as they are, both remark that many of the sales are to workmen who plan to earn part of their living on the farm, while retaining part time jobs in town—the Henry Ford idea.

Savannah, Ga., reports the Federal Land Bank is renting many of the farms on which it had to foreclose, in order to keep grounds and buildings in condition. Tenants are city people, out of a job. There is a lively inquiry for farm lands, but the inquirers have no money. A Chicago dealer who sells farms in Southeastern states makes the same report—many people anxious to buy, but lacking the necessary funds to buy stock and materials. He adds, as do other dealers, that there are numerous offers

to trade city homes for farms, but farm owners will not make such deals.

Cincinnati reports that sales and rentals together have congested the rural schools, so that almost every one of them in Hamilton county is planning to add space.

A Kansas realtor mailed a questionnaire to 50 purchasers of farms from him. Of the replies, 62½% indicated purchasers had sought "safety of funds"; 80% were also "taking advantage of prevailing low prices"; 20% wanted a home.

A San Francisco dealer sold $148,000 worth of farm lands in January, 1932, as against $11,000 for the same month of 1931. Californians say they want to get back to safety and cheaper living conditions.

The National Land-Use Planning Committee has taken cognizance of the back-to-the-farm trend, and is concerned over some of its manifestations. The committee is not worried about people with farm experience who go back—it believes this a normal and healthy thing.

But the committee is seriously perturbed by the apparent growing movement to attempt to put people back on the land through public assistance. The farm is no place for the inexperienced; available farms are likely to afford not even subsistence; colonizing schemes have not worked well in America.

All these findings have been embodied in a Senate Joint Resolution introduced by Senator McNary.

Two former governors of the state, newspapers, and various organizations are preparing to present a "back to the farm" plan to the expected special session of the Pennsylvania legislature. The hope is to sell state land, of which 300,000 tillable acres are available, to former farm residents who now find themselves out of work in the cities. Easy terms are to be offered, on loans of $1,200 to $1,500 which will cover the cost of land, buildings, supplies, and the business of getting started.

Value of Farms At Last Sinks Below Levels of Pre-War Days

ONCE a year, as of Mar. 1, when the farming season begins, the Department of Agriculture makes an estimate of the market value of farm land and improvements, based on going prices at which farms are turned over in normal sale, apart from foreclosures, forced sales, etc. This year the average value of farm real estate was 11% below pre-war, as measured by the average in the years 1912-14. This is the first time farm values have dropped below the pre-war figures. Last year they were still 6% above for the country as a whole, and during the fairly good years, 1928 and 1929, 16% or 17% above.

All in a Year

This is a reflection of the drastic deflation in prices of farm products during the past 3 years. Up to 1931, both farm prices and farm land values held up fairly well. In 1930, prices received by farmers were still 17% above the pre-war average, and farm real estate values 15% above. In 1931, farm product prices dropped to 20% below pre-war, but farm values succumbed slowly and remained 6% above pre-war. Now prices of farm products are more than 40% below pre-war, and the purchasing power of farm products is more than 50% below. Farm land values have dropped 16% in a year.

Only in the New England states, New Jersey, California, Florida, has farm real estate held up above pre-war values. The most drastic deflation has occurred in Montana and Indiana, where farm land is selling at 40% or more below pre-war. Florida values, still 41% above pre-war, seem to show the least effects of the most recent deflation, having had a special one of their own in 1927 and 1928.

The influence of special factors, such as demand for use as summer homes or estates of literary or gentleman farmers, is seen in the unique case of Connecticut and Rhode Island, where farm realty even in 1931 was selling *above* the prices at the peak of the post-war boom of 1920, and 33% and 26% respectively higher than pre-war. In neither of these states, however, had the speculative farm land boom prices of 1920 had much influence, as they did in some Western states.

While no late figures on foreclosures are available, it is understood this year's semi-annual mortgage interest date has brought a pressing problem to farmers and farm mortgage holders. Farm real estate values are often down to the mortgage, and crop prices make interest payments impossible. Though foreclosure has been held off in many cases, in hope of improvement, adjustment cannot be much longer postponed. Movements for moratoria on taxes or farm debt interest have sprung up in Kansas and elsewhere. The Democratic platform promises something about reduction of interest rates on farm debts, and several bills introduced in the past Congress propose vast mortgage refunding schemes with government money, while the capital of the Federal Land Banks was increased in order to ease the mortgage situation. The most common form of adjustment, however, is for the farmer to sacrifice his equity, deed his farm back to the mortgage holder and continue to operate it as a tenant, paying what rent he can, if any, escaping taxes, and at least keeping the property from deterioration.

The Government's Concern

State and local government officials as well as mortgage holders have cause for concern over this deflation of farm values. Tax delinquencies are growing in agricultural states and especially in cut-over forest areas. According to reports of 30 state tax commissions, percentage of property taxes subject to penalty for delinquency varied from 5% or less in some states to 30% in others, with the highest ratios in agricultural states. In some cutover counties taxes on more than half the total taxable area are delinquent, and in some instances more than half of the total tax levy is in this condition. About 40 million areas, or 16% of the total area of five states (Michigan, Minnesota, Wisconsin, South Dakota, and Oregon) were delinquent at the end of 1931. Reports from 5 New England states show practically no farm tax delinquency problems.

Are Letting Taxes Slide

Indications are that an increasing proportion of these taxes will be allowed to become permanently delinquent. Although large acreages are being offered at tax sales, buyers are scarce and a great deal of land is reverting to the counties and states. In 4 states 16 million acres, 12% of their total area, have passed into public ownership.

The fact that the bulk of farm mortgage debt is held by local investors or other farmers is a fortunate safeguard, both for the farmer and for the tax collector. Such mortgage holders are more willing or better able to carry the farmer along and pay taxes than absentee creditors, especially investment institutions subject to state supervision.

Advertising that BULLIES } or { Advertising that INVITES

Consumers come face to face with your company in its advertising. It is not necessary to maul their minds with fears and doubts . . . nor to tear at their emotions.

Advertising that bullies has never had a place at Newell-Emmett. We have found that business prospers behind the open hand which invites people to become customers.

Even while all this bludgeoning salesmanship is running amuck through the press of America with its tortured faces, nerve racked models, horrid words—a quieter, saner kind of thinking is gaining ground.

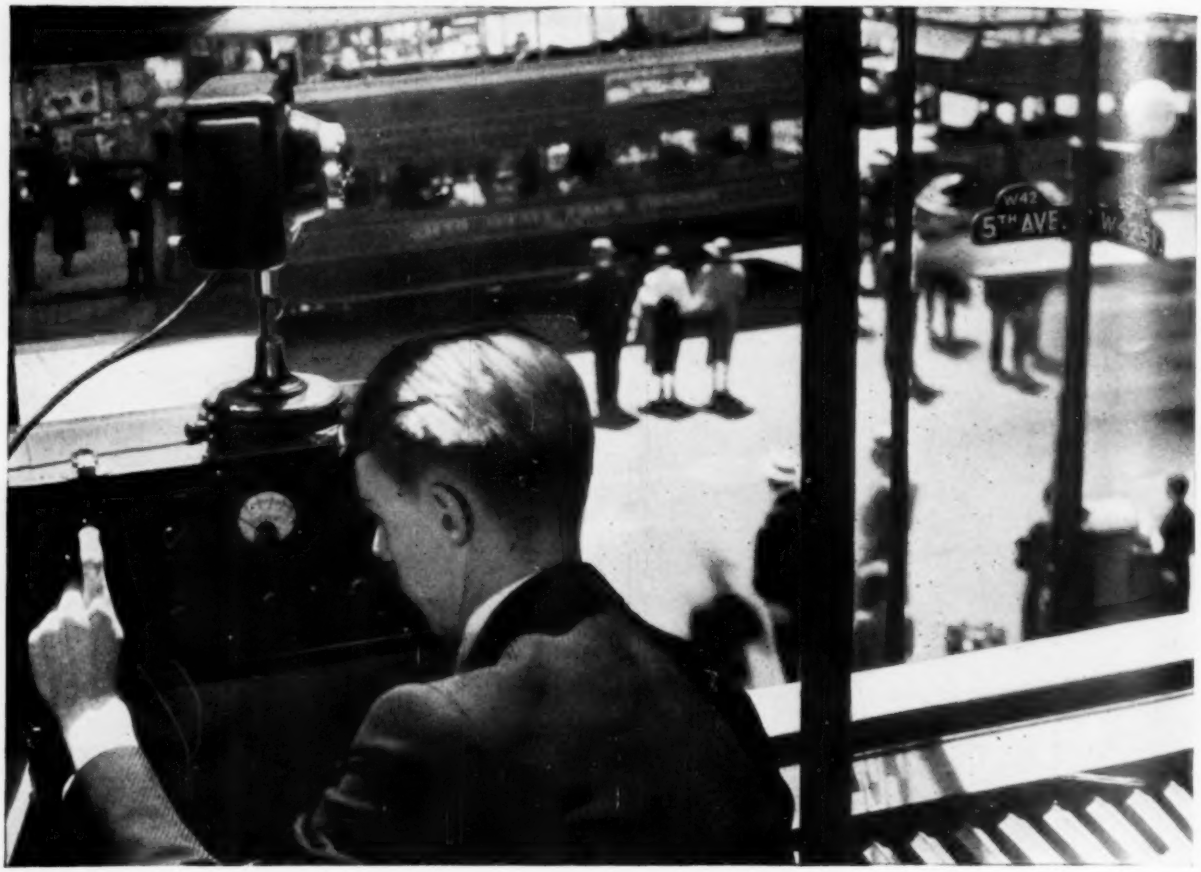
From it will come new kinds of open handed salesmanship . . . fresh presentations of honest facts . . . merchandising ideas that will speed the emergence of certain Business Houses from the present doldrums.

The case of Chesterfield—a good example of advertising which does not bully—has been presented through Newell-Emmett Company for the past thirteen years.

NEWELL-EMMETT COMPANY

ADVERTISING COUNSEL / / / "NOT HOW MUCH, BUT HOW WELL" / / / 40 EAST 34th ST., NEW YORK

ROAR AND RUMBLE OF



Johns-Manville proves, by scientific Acoustimeter tests, that the average general office is as noisy as one of New York's busiest street corners

SCENE: *Mr. Harrison's office in a large insurance company, Detroit.*

CHARACTERS: *Mr. Harrison, office manager. Mr. Forbes, a representative of Johns-Manville.*

"I don't believe we have a noise problem here, Mr. Forbes. As a matter of fact, our offices are generally considered pretty efficient."

That settled matters once and for all as far as Harrison was concerned.

"Is it possible that you may just *think* that?" returned Forbes. "Noise, in the final analysis, is a relative thing. We grow accustomed to it. We don't even suspect its presence even though it is taking its toll in inaccuracy, disturbance, fatigue every day. It's only by comparison that we really become aware of the extent of noise.

"It will surprise you, I know, but I'll venture the opinion that your offices, right here in Detroit, are every bit as noisy as 5th Ave. and 42nd St., New York, one of the busiest and noisiest street intersections in the world."

Harrison sat bolt upright in his chair. His expression was one of mingled amazement and keen interest.

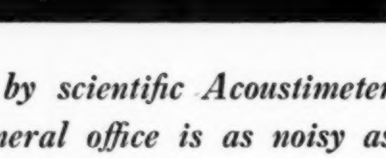
"Mr. Forbes, if you can *prove* that statement, you will not only interest me but the chances are ten to one you might sell me."

This wire went to Johns-Manville, in New York.

"PLEASE CONDUCT ACOUSTIMETER TEST NOISE LEVEL CORNER 5TH AVE. AND 42ND ST. REPORT."

Meanwhile, two J-M Acoustical Engineers were at work in the general offices of the insurance company. The Acoustimeter, a delicate instrument for measuring noise, was set up. Test after test was made. In this corner of the office. In the

Air Drills defeated in Acoustical Battle



MAY 1930. A lecture hall. Third floor. Street side. Benjamin Franklin Univ., Washington, D. C. Noise of street cars, vehicles, made it almost impossible for students to hear.

SEPT. 1930. Same lecture hall, *quieted* by Johns-Manville. "Outside was the 'machine gun' clatter of 3 air drills at work on the street. Yet, strangely enough, the lecturer was able to continue for a full two-hour period." B. E. Hunsinger, Director.

NOTE: It has never been our claim to control external noises. Yet repeated cases, such as the above, indicate that the effectiveness of J-M Acoustical Treatment extends even to deadening outside disturbance.

FIFTH AVE. AND 42ND ST.

center. In that corner. The average was taken. It was *67.5* decibels. And that, in unscientific terms, means *NOISE at a disturbing level.*

This wire came back from New York.

"AVERAGE NOISE LEVEL 5TH AVE. AT 42ND ST. 68 DECIBELS."

Almost unbelievable! Yet here was proof that Harrison's general offices *were* as disturbingly noisy as one of the world's busiest street intersections.

Needless to say, Forbes of Johns-Manville made the sale.

ONE firm has reduced errors 42% by installing Johns-Manville Acoustical Treatment. Another radically cut absences due to illness. A large department store slashed noise disturbance 83%.

For 18 years, Johns-Manville has been the recognized authority in the development of Acoustical Materials. Applied to the ceilings or walls of offices, stores, restaurants, hospitals, factories, etc., these materials absorb NOISE as a blotter absorbs ink, or a sponge absorbs water.

In churches, theatres and other places for public assembly, these same materials guide *wanted* sounds to the ears of listeners, quell reverberation, and *correct* faulty hearing conditions. Not one material for every use, but a *group* of materials varying in cost, appearance and efficiency to fit the case.

On every side one sees specific examples proving that the use of Johns-Manville Acoustical Treatment *gets the results.*

Noise may be reducing efficiency and profits in your offices. A J-M acoustical engineer will gladly advise you, without obligation. Address Johns-Manville, 292 Madison Ave., New York City.

"Noise Sits in the Corner"

When the employers of the City Bank Farmers Trust Co., New York City, entered their new quarters in the new City Bank Building, 22 William St., a few weeks ago, they were surprised how quiet it was. As work increased, and the day wore on, they were even *more* surprised how quiet it was.

For the City Bank Farmers Trust Co. is treated with J-M Sound Absorbing Materials. Noise literally "sits in the corner." Efficiency and favorable working conditions result. Just another specific instance—out of *thousands*—proving that Johns-Manville Acoustical Treatment is *the* solution to NOISE problems.

Johns-Manville

JM

Controls

HEAT, COLD, SOUND, MOTION

Protects against

FIRE AND WEATHER

We Spend About as Much for Fun As for Running the Government

12. The American Consumer Market —A Study by The Business Week

PERHAPS because it is so hard to find in their work, Americans spend a lot of money for fun. In the gay year 1929 the outlay of individual consumers in the United States for recreation of all kinds amounted to \$5¼ billions, and every year since 1926 it has run over \$4 billions—about as much as it costs to operate the federal government.

Whether 1931 and 1932 will show a return to the simpler and less costly pleasures of life is impossible to say at this stage, but 1921 did not reveal any extraordinary recession in total recreational expenditures, and the upward trend was promptly resumed. Throughout the whole post-war period of prosperity the expenses of play have risen rather steadily and somewhat more rapidly than most of the more serious items in the national budget.

Is Drinking Fun?

The types of pleasure included in this classification are very varied, and the table accompanying this article summarizes them under several general heads. The consumption of alcoholic refreshments is not counted as a recreational expenditure but as a personal one and was covered in an earlier article, along with indulgence in soda fountain and similar innocent beverages. Likewise domestic travel is not included under recreation because it is inseparably involved with the automobile and the railroad expenditures which have been covered under transportation.

"Theatres" include motion pictures, legitimate and vaudeville performances, as well as concerts and opera, which, in a sense, might be considered musical recreation but are in a large measure theatrical. In the "Amusement" group are included circuses, carnivals, fairs, pageants, amusement parks and resorts, fireworks, dancing, supper and night club pleasures, games, toys and playing cards. "Commercial Sports" covers major and minor league baseball, football, basketball, hockey, boxing, wrestling, motor races, polo matches, field days and horse racing. Under "Private Sports" are included golf, with club dues, outboard and sail boating, riding horses, hunting, fishing, bowling, billiards, minor sports like swimming, tennis, soccer, skating, fencing, miniature golf, etc., athletic clubs, private aviation, purchases of athletic supplies and bicycles. In the musical items, "Radio," "Phonographs," "Instruments and Sheet Music," an attempt has been made, so far as possible, to exclude purchases for business or professional use. The "Miscellaneous" group includes fiction books and periodicals, animal pets and amateur photographic supplies.

Getting the Figures

It is obvious that this field of consumer expenditure is perhaps the vaguest and most difficult to estimate with any accuracy; but for the most important items fairly good figures are available from official sources and organizations and publications devoted to sports. In several cases, such as golf and similar sports, and dancing and night clubs, estimates of professional experts have been used. For all the physical goods involved official census figures of production are available and have been treated in much the same way as those for other commodities.

The outstanding feature of the picture of pleasure expenditure by the American consumer over this period is the dominant and relatively increasing importance of the commercial or professional kinds of recreation as contrasted with the private, personal or individual varieties. Americans are apparently vicarious sportsmen, preferring to pay and see rather than to indulge actively themselves. This is shown in Chart I, illustrating the change between 1919 and 1929 in the way the American consumer spent his recreation dollar; and especially in Chart II showing the relative growth of commercial and private recreation expenditures over the whole period.

Passive Recreations Gain

Of course, both kinds cost money but those in which individuals take an active part in other ways than by sitting in the bleachers and throwing pop-bottles have increased much less rapidly in the amounts spent upon them than have the more passive recreations with which the tired business man has refreshed himself. Between 1919 and 1929 expenditures on private recreation, including all those activities in which the individual did anything himself besides pay an admission fee, hardly doubled, while those pleasures commercially dispensed increased about four times, and since 1925 have involved more than twice as much money as the other kind. Another striking thing is that outlay on private recreation apparently drops more sharply in depressions than that on the commercial variety.

Theatrical amusements are of course

Recreation Expenditures of American Consumers
(In Millions of Dollars)

	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Theatres	307	340	330	382	432	509	626	886	1,121	1,116	1,232	1,393
Other Amusements	219	261	217	280	373	399	426	481	591	628	678	405
Commercial Sports	84	106	92	112	115	110	139	154	166	200	221	203
Private Sports	355	438	348	437	499	513	588	679	762	822	886	570
Radio	10	13	16	34	76	146	253	270	334	480	889	501
Phonographs	187	198	143	150	160	126	89	109	141	124	109	50
Instruments and Music	187	196	136	194	184	179	179	145	145	120	89	39
Foreign Travel	269	380	325	400	444	533	585	623	696	841	885	828
Miscellaneous Personal	136	172	143	146	158	162	169	175	195	212	261	[illegible]
GRAND TOTAL	1,754	2,104	1,750	2,135	2,441	2,677	3,054	3,522	4,151	4,543	5,250	4,171

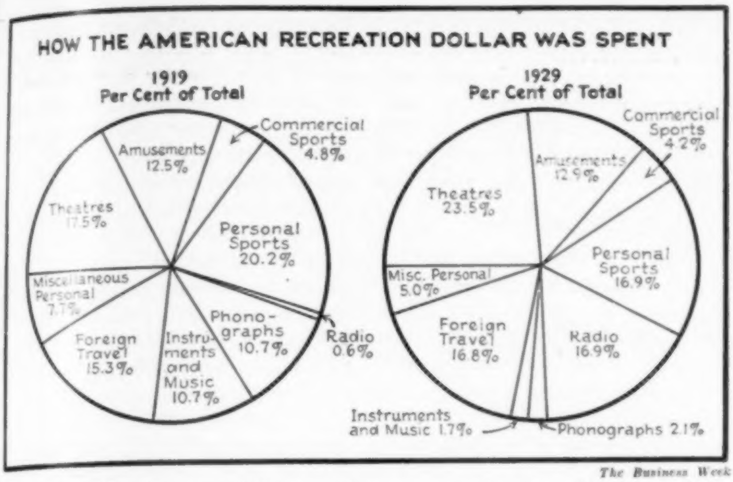


CHART I—*The 10 years following the war saw the rise of radio and the theatre, the decline of personal music making and personal sports*

the most important general class, and show the largest increase next to radio. This is primarily a product of the motion picture, the legitimate and vaudeville theatre having shown relatively little increase, whereas the money spent on movies has multiplied about 8 times over the period and even increased continuously in depression years. In 1930 there were about 21,000 motion picture theatres, two-thirds of them wired for sound, and with an average number of paid admissions per week of about 100 millions, and an average charge of 20¢ per admission. Almost the entire population excluding infants apparently attended the movies once weekly.

Golf Score Production

Personal sports still outweigh commercial sports, but have been relatively losing ground. Golf is the most important of them. It is estimated that there are over 4 million golf players in the United States, using 4,500 golf courses, 60,000 caddies, 25,000 waiters, cooks, locker-room boys and other assistants to run up their high scores, paying over $300 millions for equipment and club dues (in prosperous years).

Next to theatres, among the amusements that affect the commercial market for recreation, radio and foreign travel are the largest single items. In earlier years, foreign travel expenditures were far ahead of radio, but in 1929 they were about equal.

As against the radio, the decline in other musical recreation both by phonograph and self-production is striking. The relatively sudden emergence of the radio as a commercial factor in 1925 may account for the marked slump in phonograph expenditures for that year, but improvement in phonograph machines brought a temporary revival.

Baseball has been relatively steady throughout the period, and is not a large item so far as the major and minor commercial leagues are concerned. Football has gained on it rapidly, rising from about $10 millions or a third as much as baseball in 1919 to $74 millions in 1930, twice as much as was spent on commercial baseball—an interesting sidelight on the economic aspects of the progress of higher education in America. But in recent years both baseball and football appear to be relatively poor competitors with dancing and night club entertainment, on which in 1929 Americans spent twice as much as on both combined.

Retailers Sell a Third Of Their Goods on Credit

BY the time we had reached the climax of our last—or latest—era of easy expansion, Americans were adding "charge it" to about one-third (34.15%) of all their retail orders. Another third of their orders were going to stores selling only for cash. The final third was paid for on the spot at counters where they could have had credit if they had wanted it and been able to pass the character tests. Stores willing to extend such credit found 52.48% of their volume going to customers who asked for it.

In presenting to the recent convention of the National Retail Credit Association this split-up of the $50 billions of 1929 retail sales reported by 1,543,000 stores for the 1930 census of distribution, John Guernsey, who was in charge of that census, set our "normal" retail store credit total at $16¾ billions. Another annual $1½ billions of retail credit, he added, is carried by finance companies. His figures showed that average losses on such sales amounted to 0.1%.

Other Industries Bet On Air Conditioning

WHAT the discovery of a new market means to industry is indicated by the weight that is being given to air-conditioning developments in the current consumption forecasts of several industries well removed from the direct manufacture of air-conditioning equipment. The Copper and Brass Research As-

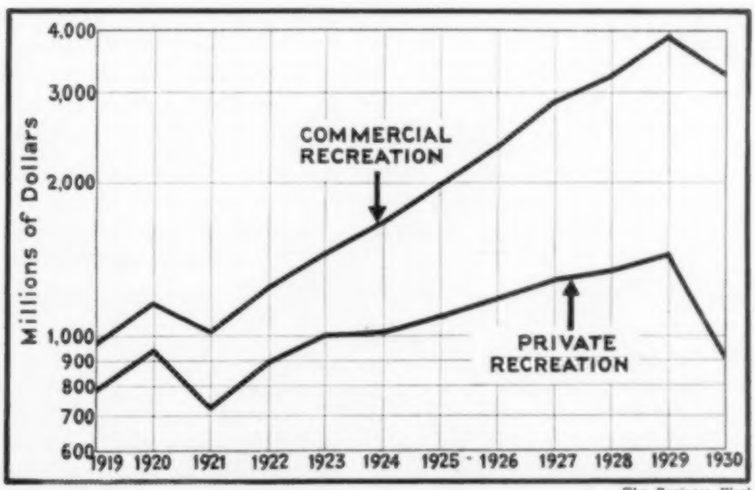


CHART II—*Commercial recreation has grown faster than private, slumped less. Americans spend more money watching baseball, football, boxing, hockey, and horse racing than participating in sport themselves*

sociation's estimate of a 3½ million lb. consumption of the red metal in 1932 banks heavily on a 40% gain in the amount of copper used by the air-conditioning industry. Should the new market come up to predictions for the next 5 or 10 years, the association expects it to take an annual 35 million to 45 million lb. of copper. This is figuring 50 lb. of copper per installation on 600,000 units annually for the residence and individual office market, and adding tonnage anticipated in the manufacture of large central station equipment.

Copper people are interested in the application of the ordinary automobile-type copper radiator to low-priced cooling systems using blocks of ice instead of mechanical refrigeration. Power producers, too, are watching this development. The ice industry, also wide-eyed with anticipation, foresees a 50% increase in output within a short time. Present annual production of manufactured ice is 60 million tons. Of this, 72% or 43 million tons is made with central station power at 55 kw.-hr. of electrical energy for every ton of ice produced. Operation of the cooling equipment means another addition to the power load—16 kw.-hr. per ton of ice melted. On the basis of these figures submitted to *Electrical World*, Emerson A. Brandt, secretary of the technical department of the National Association of Ice Industries, expects ice comfort-cooling to step up these industries' contribution to the power load from a current 2 billion to a future 4 billion kw.-hr.

Planks in Democratic Platform That Bear on Business Problems

In a lot fewer words, the Democratic party platform managed to say even more about business and economic issues than the Republican.

It blames the depression on national policies which have developed economic isolation, fostered mergers and monopolies, and encouraged the expansion and contraction of credit for private profit at the expense of the public.

Planks of direct concern to business may be summarized as follows:

In substantial agreement with the Republican platform:

Declaration for sound money. In favor of governmental economy (the Democrats specify 25% cut in Federal expenditure). For a balanced budget. For an international conference on monetary and economic problems. For Federal loans to states for unemployment relief. For spread of work by shorter working days and the shorter week. For the fostering of agricultural cooperatives and crop surplus control.

Points of Difference

Planks differing from the Republican declaration of policy:

The Democrats want "a competitive tariff for revenue"—whatever that may mean—and reciprocal tariff arrangement with other nations.

Unemployment and old age insurance, under state laws.

Strict anti-trust law enforcement, and better laws to protect the small industry or business. The Republican platform is silent on the anti-trust laws.

For stricter regulation of holding companies, utilities doing an interstate business, and exchanges, both securities and commodities. For prompt recovery of deposits in closed banks. For stricter regulation of national banks, especially to prevent the use of their moneys in the speculative markets. For severance of securities affiliates from banks, and the divorce of underwriting schemes from the operations of commercial banks. For further restriction of the use of Federal Reserve facilities to finance speculation.

For Philippine independence.

There is a denunciation of the state department's policy in passing on foreign loans, which the Democrats blame for the unloading of a vast pile of bad paper on the American public.

Condemned also are "action and utterances of high public officials designed to influence stock exchange prices."

The Hawley tariff is belabored as a destroyer of trade and a provoker of retaliations.

And then, of course, the Democrats came out flatly for the repeal of the Eighteenth Amendment, while the G.O.P. wrapped its declaration up in words which mean different things to different people—which, after all, may have been the idea. But prohibition is a sociological question primarily, not an important economic issue, as *The Business Week* has said before to the great annoyance of numerous wets and drys.

Cheap as Staying Home, Travel Builds for Future

It's a buyers' year in the travel market. If you want a vacation and nothing is offered that suits your whim (or your pocketbook), consult your travel agent. There's a wide choice to select from.

Steamship lines have proved especially imaginative. The weekend cruises to nowhere were the starters. Then it was discovered that travelers liked to drop in somewhere, preferably a foreign port. Bermuda, Nassau, Cuba, Halifax—all were given a try.

A New Idea Crop

This summer there has been a new crop of ideas. Furness Bermuda has planned a series of 10 four-day "alumni sailings" to Bermuda. Yale grads turned out in fair volume for the first of the cruises, "reunioned" for 4 days.

General Steamship Corp., Ltd., agents for the Shepard Line on the Pacific Coast, announced that with the sailing of the steamer *Sagebrush* from San Francisco on June 25, the "floating hotel" plan would become a feature. Passengers can visit New York, Boston, Philadelphia, Bridgeport, and Albany and live on board ship during the entire stays in ports. Sailings are once a month. Prices are as low as on land.

The Dollar Line is playing up the economy idea on round-the-world cruises. On the 4 major summer sailings, first class fares are reduced to $749 including stopovers at any of 23 ports in 15 countries within 6 months. Rates include rail transportation to and from the home towns of the traveler. First sailing after the announcement was completely booked in 3 days.

Canadian Pacific is offering a similar plan in conjunction with the Peninsular & Oriental Line. Rates start from $676.61, which is 40% below the old first class rate.

"White Collar" Crowds

"White collar" third class cruises to Europe are going over big. The 18-day tour is particularly popular. June and July bookings are at capacity. Paris and London are gasping at the influx of Americans in a year when the tourist was expected to disappear. Stops are shorter than usual. Spending is less free. But it will help the hotels, restaurants, and gift shops.

The British themselves are showing a fresh spirit of wanderlust. Aggressive shipping agents are dramatizing the beauty spots of the British Isles, playing up the "Travel British" idea, offering ridiculously low rates by allowing travelers to use the ship as a hotel.

British enthusiasm for the trips is attracting the curious among the more leisurely travelers from other countries. Americans are turning up in large numbers on these short voyages.

Germany is making a unique bid for the travelers' money. When the government some months ago forbade the withdrawal from the country of deposits of individuals and companies, many a foreigner decided that he had tied up enough of his money in Germany, planned his vacation elsewhere. Berlin hotel keepers heard of the plans, appealed to the Reich. Just as the season was breaking, there came the announcement that foreign funds, frozen by decree in German banks, would be released to foreigners if they would spend these funds in Germany. That was simple. Germany's hotels are splendid. Prices are low. Hospitality is famed. Depositors are becoming spending travelers. They get a vacation, recover immediately some of their frozen reserves. Germany gets the business.

The Soviets refuse to be outdone. Intourist is offering a "Go as you please" tour at a flat rate of $10 a day for second class, or $20 a day for first class. Simply buy an Intourist order for a fixed number of days in European Russia and then start out. Nothing but the price is fixed. It gives a vagabond spirit of romance, which most tourists enjoy, without thrusting a lot of responsibilities on the traveler.

Profits from the tourist business this year may not be large but returns will come in on the instalment basis; some now and some later when the public buying power has returned and the public continues its interest in travel.

Complete Mill Travels To Far North by Plane

MOVING heavy machinery by airplane still is enough of a novelty to attract attention. Dredges for mining operations have flown in New Guinea, but the biggest job of the kind was the transportation of a complete mill by seaplane 60 miles from railhead to the Gem Lake Mines in central Manitoba.

Overland freighting there can be done only over winter snows. Two Fokker seaplanes carried the 15 tons of equipment in 2 weeks, sometimes making 4 round trips a day, landing on a lake a half mile from the mine. Direct outlay would have been less had the hauling been done in winter, but the extra months of operation offset the cost.

American Copper Won a Tariff, Lost World Market Domination

British and Belgian interests decide they are now in a position to fight for European orders

AMERICAN copper interests went to Washington to get a tariff on copper imports. They got it but they are having to take a lot of other things less desirable.

The tariff became effective June 21 (*BW—Jul6'32*). Within a week, British Copper Refiners, Ltd., was formed in Great Britain. A British tariff is likely after the big Empire powwow in Ottawa late this month.

Scarcely had this announcement come from London when 3 of the very important members of Copper Exporters announced their withdrawal. They include Chile Copper Co., an Anaconda holding; International Nickel, large Canadian producer; and Cerro de Pasco, important American company producing in Peru. Their withdrawal became effective June 30. After that, they are free to sell independently in foreign markets.

Union Minière Out

Almost on the heels of this announcement came the report that Union Minière, among the most important of the members of Copper Exporters, announced that it would withdraw to a free-lance basis as soon as its required 30-day notice had expired. Other members are reported to be considering withdrawal. Announcements can be expected at any time.

As far as the world copper situation is concerned, these new developments accentuate a trend which was visibly developing last week. Domination of world copper markets by the United States is ended. It lasted as long as the vast resources of Africa were only partially exploited. It is failing now because British and Belgian interests are in a position to put up a struggle for the European market. If American interests need a tariff, it is only logical that foreigners think they can profitably undersell them abroad.

Evidence that just this thing is developing is already to be found. Copper prices in Europe broke immediately on the news that Copper Exporters was disintegrating. Union Minière has already announced to the remaining members that it will offer copper in Europe at 5¢ a pound. The authoritative *Engineering & Mining Journal* now lists "domestic, refinery" and "export, refinery" prices. On June 30, domestic copper was quoted at 5.150¢, export at 4.90¢. Since then the tendency of export quotations has been downward. In the scramble for the European market in the next few months, the price is likely to sag steadily. No one will profit so much as the European consumer.

Domestic Price Steady

Domestically the price of copper is holding fairly steady. *Metal & Mineral Markets* penetrates beneath the surface and offers this interpretation: "Of even more importance than the developments in the export situation is the increased consideration given to the movement initiated some weeks ago by domestic producers to place the large stocks of copper in a position somewhat similar to that which obtained during the depression of 1921. It will be recalled that in 1921 the large stocks then held by the group were pooled and bonds issued against them."

Copper Exporters' influence on world markets is gone. It may be revived in some European reorganization in which the American group will not swing the balance of power. Domestically, its influence is likely to continue for some time. There is no end yet to the developments started when Washington gave the industry tariff protection.

Both Sides Would Lose In Anglo-Irish Rift

THE pugnacity of the Irish is proverbial. So is the tenacity of the British. In conflict this week they brought a diplomatic deadlock tremendously important to each country. It may cost the British nearly $18 millions a year due them on miscellaneous land annuities stipulated under the Anglo-Irish treaty of 1921. And it may cost the Irish their export trade to Great Britain, which amounts to more than $125 millions a year.

Family disruption started when the Irish refused to meet the demands in the treaty framed when Ireland became a free state. Land annuities amount to about $10.8 millions. These the Irish president has refused to pay. One half-yearly instalment came due July 1. Other British levies are equally obnoxious to the Irish. They bring the annual total the Irish do not want to pay to $18 millions.

The British are indignant. Trusted business men that they are, they refuse to see the Irish side of the question. To them, Ireland has promised to meet these obligations. Refusal now is default. Punishment is justified.

Can Double Present Duties

In the present case, they propose to put a tariff on Irish imports, effective July 14. It can run as high as 100% above existing duties. Since Britain takes more than 90% of Ireland's exports, this is about the most serious thing that can happen to the Irish. It looks to Dublin like about the most unfriendly gesture London could make. And right in the face of a family conference where Britain is preaching the need for closer family trade relations.

There is a way out. Both participants in the quarrel are willing to arbitrate. But Dublin demands non-empire judges; Britain says it is a family affair and must be settled by family judges. There is still no sign of a compromise.

Embarrassing for Britain

A rupture with Ireland is especially embarrassing for Britain. The Irish buy less from the mother country than they sell there, but nevertheless the Irish market is too important to lose. This is especially true when not a few manufacturing countries might be ready to step in and bargain with Dublin for an exchange of trade. All this is the sort of thing which requires too much time to save a lot of damage to both the British and the Irish. But it could happen.

Almost everybody expects the rift to be patched up, though no one is sure just how yet. In the meantime, a lot is at stake and voracious neighbors of the British are ruminating on what might happen before it is all settled.

Mussolini Will Pit Trucks Against Rails

IN Italy, the state-owned railroads are to be put in free and open competition with trucks. If the trucks prove their worth, motor trains may one day serve the whole northwest section of the country.

The experiment will be staged on the routes between Genoa and Milan and

Turin. Fiat is working out truck trains to carry 30 tons of freight at an average speed of 25 miles an hour. Single trucks and buses will be used at first. Store-door delivery will be a factor.

In Germany, where the railroads are also state-owned, the problem of truck competition has been solved by restricting the trucks. In Italy, the railroads are a form of transportation rather than a banking cornerstone. Only a Mussolini could perform such an experiment.

Foreign Trade Shifts In First Quarter Year

FOREIGN trade has been discouraging in the last 2 years. Exporters were agreeably surprised when the first quarter figures for 1932 showed some improvement. Thirty-two of 108 chief exports showed gains over both '31 and '30.

Two farm products—cotton and wheat—scored outstanding gains. Cotton exports were up 79% in quantity, 19% in value over the first quarter last year. Wheat jumped 413% in volume, 289% in value, largely on huge Farm Board sales to Brazil and China. Other important gains were made by oil cake and oil-cake meal, crude sulphur, wood pulp, radio, electric refrigerators.

Export losses were heaviest in the manufactured group. Automobile shipments to fill foreign demand dropped 49%. Gasoline shipments were down 19%, petroleum products 30%. Leaf tobacco shipments declined 37%; canned fruit 22%; agricultural machinery 92%; mining and quarry machinery 65%; refined copper 55%.

Only 6 foreign countries bought more American goods in the first quarter of 1932 compared with the first quarter a year ago. Japan's purchases, headed by a steady demand for raw cotton, increased nearly 24%. China, with a smaller volume, increased her purchases by nearly 25%. The Philippine Islands, Greece, Irish Free State, and Poland were the other improved markets.

Many of the country's most important export outlets bought far less this year. The United Kingdom, for example, cut its purchases by nearly 34%. Canada, almost as important as an outlet, bought 42.4% less than a year ago. Germany, France, British South Africa, Cuba, Czechoslovakia, Peru, Argentina, and Mexico all cut their business with us by more than 30%. The Soviet Union, determined to minimize business here until there is more of a reciprocal demand for Soviet products, cut its orders in this country by 92%.

. . . *but the* CHAMP DOESN'T STAY THERE

★

Almost every business has taken it on the chin in the past two years. But not every one of them is still hugging the canvas. Tomorrow's leaders-to-be are back on their feet, and fighting today as they never fought before.

They're fighting more carefully and guardedly, of course. Hitting hard, but not swinging at the air. Making sure every blow hits its mark. That's why they're still on their feet—why they'll be poised for action when the gong ushers in the next round in the battle for business improvement.

Those companies that sell to business and industry know that their customers aren't buying today—*they're being sold.* And only the right combination of a good product, backed by aggressive sales and advertising effort, will do the job. They're using that "right combination", going fearlessly ahead, taking advantage of their competitors' inactivity to win more than their former share of the present volume of business.

They're making sure that none of their advertising blows will be wasted, by adopting a policy of thumbs down on waste circulation. They're concentrating their advertising efforts in magazines such as the McGraw-Hill publications, where every reader is a business man, industrialist or engineer—every one a bonafide prospect for the things that business and industry are buying today.

Take a lesson from the leaders-to-be. Get up and FIGHT! But don't scatter your blows—shoot them straight at the vital part of your market.

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Factory and Industrial Management
Maintenance Engineering
Power

The Business Week
Management Methods

Business Abroad—Swift Survey Of the Week's Developments

Announcement of the British conversion operation as a probable key to readjustment of credit values throughout the world; the prospect of lower interest on German standstill credits; signs of agreement on a final settlement of German reparations—all are factors contributing to a more hopeful world outlook. . . . Optimism over the government's bold move to adjust credit values to current commodity prices dominated the business week in Britain. . . . France's major concern is the prospective budget deficit. . . . Germany is temporarily encouraged by developments. . . . Lausanne, Ottawa, and possible plans to write down capital in other countries than Britain, will outstandingly influence future business.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—No development in Europe is more significant than the British conversion operation which was announced immediately after the Bank of England had paved the way by lowering the discount rate to 2% (page 5).

By this operation Britain will convert $7 billions of war-loan bonds from 5% to 3½% government obligations. This will mean a saving to the British treasury of $100 millions a year, or nearly 30% on the former budgeted allowance for interest.

Real significance to world business, however, is the move by the world's financial capital to write down money values until they are in line with current commodity prices. With gilt-edged securities bringing only a 3½% return, more funds are expected to be forced into other investment channels. Eventually easy money will be seeking outlets in industrial enterprise which in turn will promote business recovery.

Britain's position as the world's financial capital would in itself cause this move to be felt in other money markets. If it starts similar moves in other countries—and they are already being discussed in Paris, Berlin, and Washington—it will do much to bring about adjustment between capital and commodity values.

Another big write-down is in prospect. That is reparations and war debts. While Europe does not yet go so far as to be too hopeful of the successful outcome at Lausanne, its hopes have gone far enough to cause a new interest in German bonds on almost all major markets. Current negotiations, particularly between the French and the Germans, indicate a tendency to bargain on a fixed reparations settlement—fixed both as to amount and to period for payment.

Reparations Soon to End

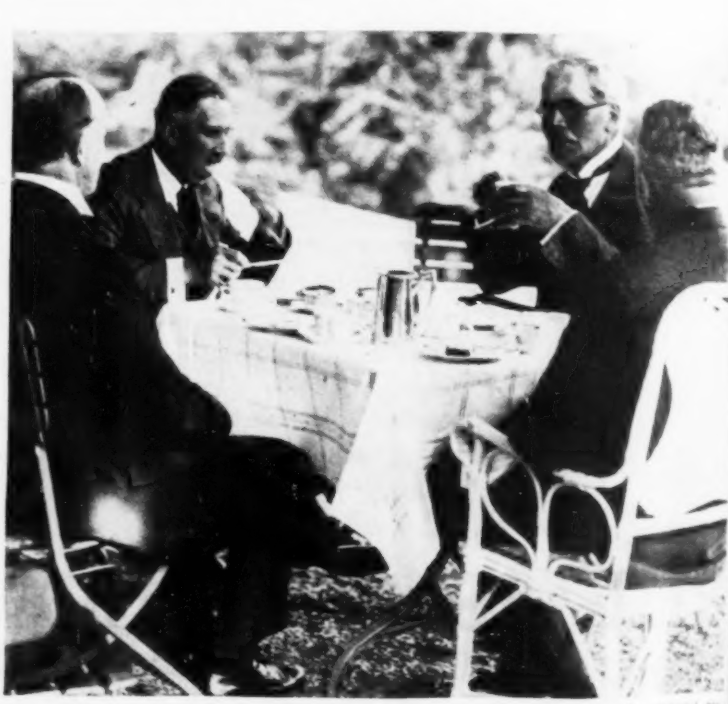
Complete agreement is not yet in sight, but realistic business leaders are aware that the world is getting ready to rid itself of reparations, and that the writing down of other debts, private and public, is rapidly becoming a more urgent problem. This new outlook will profoundly affect financial thinking in coming world meetings. It has been speeded already by Britain's prompt handling of the huge domestic issue.

In this same connection, more than passing notice is to be given to the action by the Greek government postponing payment to Washington of that instalment of the Greek loan which fell due July 1. It is not a default. Greece has simply availed itself of the privilege, provided in the special debt-funding agreement with the United States, of postponing payment for 2½ years.

This is the only payment, either of debts or reparations, which came due July 1, the day after the Hoover moratorium ended, and it is possible that Greece merely availed herself of the privilege to postpone payment until she knows what is to be the outcome at Lausanne. But it may be indicative, in any case, of general postponement by the debtor countries. Principal and interest due the United States in the coming fiscal year total almost $270 millions, from 15 countries, and not including special payments due from Germany.

Germany Wants Lower Interest

Germany, while awaiting the outcome of Lausanne negotiations, has been arguing with commercial creditors in London for a reduction in interest rates on the "standstill" loans. Interest has already been reduced in some cases but it still averages between 6% and 7%. Germans want it cut to something around 3%, which would be more in keeping with current rates. Creditors, who are assembled in London at their regular quarterly meeting to consider developments in Germany particularly affecting their claims, are considering demands, may make adjustments.



REPARATIONS TEA—*Von Papen and MacDonald (left to right facing the camera) refresh themselves at afternoon tea in Lausanne before tackling again the knotty problems of "final" reparations settlements*

If financial adjustment is taking care of itself in Europe, international trade is progressing more slowly. In fact, as far as Americans are concerned at least, the import quotas announced by France as effective July 1 are a long step in the wrong direction. With all of the confidence which the Tardieu–Edge agreement for most-favored-nation treatment provided, the American business community awaited these new quotas with high hopes. They were confident of larger, "fairer," shares of the French import business. Instead, they are "cut." "Never have American business men in Paris been collectively so angry, disappointed, and alarmed," declared a representative of the group when the quota lists were revealed. Action by Washington is awaited.

Ireland Refuses to Budge

Another trade flurry is causing more excitement than worry. That is the Irish–British controversy over land annuities (page 24). Dublin's refusal to pay these obligations to Britain, has roused Parliament to the point of raising a tariff against Irish goods, "not in retaliation, but to balance the budget," for, of course, the British government will meet the obligation to nationals. No one believes, however, that the controversy will not be arbitrated eventually.

Until artificial trade barriers can be adjusted, Europe is going ahead with barter plans. Most recent is the agreement by Germany to take Egyptian cotton for German nitrates.

The week has brought a number of fundamentally hopeful signs. Britain is buoyant as a result of the financial progress, and despite growing realization that Ottawa cannot possibly bring many immediate results. Germany is encouraged, but will remain unsettled until after the month-end elections. France is concerned with a budget deficit, but putting it second to the Lausanne problem. The outlook, at least temporarily, is more encouraging.

France

Business is slack. . . . Bourse fairly cheerful. . . . Greatest concern over budget deficit. . . . Oil conference not yet successful.

PARIS (*Wireless*)—French business is utterly slack. The Bourse was active and rather cheerful on reports from Lausanne. Prices were generally up. The British war loan conversion operation had a favorable effect.

Industry is discouragingly less active. Exports of iron and steel are declining steadily. Coal miners are working only part time. The textile industry is working to fill only immediate demands, except for the rayon section which is showing a more cheerful tone in recent weeks. More French ships are idle now than at any time since 1922.

Main concern of the French just now is the national budget. Premier Herriot is absorbed with Lausanne negotiations and rather proud of the progress that has been made toward settlement with Germany. At home, there are rumors that his government will not be able to withstand the budget crisis. The present government's financial program has been slashed to pieces by the Financial Commission of the Chamber of Deputies. The current deficit will exceed \$160 millions.

Paris is following the international oil conference now in session. Representatives of American, British, and Rumanian oil interests are present, attempting to work out an agreement for world marketing. If the agreement succeeds, Russia will be the only important world producer not yet included. Conferences including Soviet delegates failed to bring an agreement in New York last month.

Germany

Strong, optimistic undertone on securities markets on better reports from Lausanne and from "standstill" creditors. . . . Large capital write-downs probable. . . . Soviet orders keep steel industry operating. . . . Shipping lines likely to demand government subsidies.

BERLIN (*Cable*)—Germans were encouraged by the strong, optimistic undertone on securities markets this week. Encouraging reports from Lausanne (despite a lot of unfavorable domestic press comment), and the prospect of reduced interest rates on the "standstill" debts were major influencing factors. While admitting the many barriers which stand in the way of final settlement at Lausanne, Germans are inclined to believe that the conference will not "blow up" until some agreement is reached for final settlement of German obligations.

Both stock and bond prices advanced with brisk selling on the Boerse. Volume was large. Bond prices are holding especially well. Many municipal interest defaults have been prevented only

by the prompt extension of financial aid by the Reich.

No word has yet reached Berlin that the "standstill" creditors in London have definitely agreed to reduce interest rates, but financial circles fully anticipate favorable action.

Under the provisions of the "standstill," 3 Swiss banking syndicates have transferred their standstill credits into blocked investments. Amperwerke, a public utility affiliation of Gesfuerel, led the way by converting standstill credits into a 7-year, 5-million Swiss franc loan. Bayern-werke followed with a 7%, 4-million Swiss franc loan for 10 years. Dessauer Gas, largest German gas producer, has more recently arranged for a 6½%, 7-9 year loan to replace the short-term credit.

Discuss Private Debt Cut

Adjustment of the reparations and short-term debts questions are likely to progress through organization channels already set up. Significant now is the discussion in Germany concerning the necessity for writing down private debts abroad to correspond to the decline in the commodity price level in world markets. The influential *Frankfurter Zeitung*, discussing this imminent possibility, says that "reduction in capital values of private debts due abroad may be preferred by creditors to restrictions on transfer. The prostration of world trade and the small surplus of German exports in April and May are especially important factors which tend to hasten a decision on the subject."

Industry is still sluggish. The steel industry is operating largely on Soviet orders. Berlin admits that 75% of Germany's exports of rolling mill products are for Soviet account. On the other hand, the successful writing down of industrial capitalization is proceeding rapidly, and the systematic refinancing of big companies is nearing an end. This, leaders believe, will contribute to the **rationalization** of industrial finance, aid recovery.

German Shipping Subsidies

The shipping business is slack. Hamburg-American and North German Lloyd were forced to ask government aid some time ago to meet current obligations. Conditions are not bettering. It is increasingly probable that both will have to call on the government for a direct subsidy. Discussing the problem in their annual reports, Lloyd says: "In case the depression continues, German shipping companies will be forced in future to avail themselves of government subsidies." Says Hamburg-American: "The numerous experiments with state operation of the mercantile marine in other countries have invariably ended in failure and have cost the public purse considerably more than transient subsidies to private shipping." Adjustment is likely to come soon.

Great Britain

Securities markets cheerful following reduction in the bank rate and announcement of the $7-billion conversion operation. . . . Hope still placed in Lausanne; less confidence in immediate results at Ottawa. . . . Irish affair unfortunate.

LONDON (*Cable*)—British business is jubilant over the government's bold scheme to convert the $7 billions of 5% war loan bonds into a new 3½% issue. Everything now points to success for the plan. All week there has been a boom in gilt-edged securities which has already overflowed into the industrial field.

Announcement of the plan followed the Bank of England's reduction in the rediscount rate from 2½% to 2%, the lowest in 35 years.

There are almost 3 million holders of war loans. Less than £200 millions of the total of £2,000 millions of war loan bonds are thought to be held outside of Great Britain. During the first few days since the announcement, a flood of applications for the new conversion issue has been received, and out of them all, scarcely 3% applied for redemption of their bonds.

British Budget Economy

Results of the operation will mean an annual reduction of nearly $100 millions in interest which the government must pay on its funded debt, an easing of money rates on all financial markets, a forced flow of funds into long-neglected industrial shares, a stimulus to British business. The British have confidence, too, that they are taking a necessary move toward adjusting credit costs with current commodity values.

Stock markets have been cheerful all week. Strong buying which immediately followed the announcement pushed gilt-edged securities up with a bound, and carried almost all stocks higher. Later in the week prices eased on profit-taking and the weakening of sterling exchange.

Scarcely less important to the British is the hope that the Lausanne conferees will arrive at some final settlement of reparations. Some such settlement is increasingly desired as the first full optimism for great and immediate results from the empire meeting at Ottawa are waning. London is beginning to realize that Canada and Australia, in particular, are not ready to prejudice their own secondary industries by abandoning all protection against British competition. The British, therefore, are inclining to hope more for a reduction of imperial duties than an increase in duties on non-empire goods.

London refuses to look on Britain's imposition of 100% tariffs against imports from Ireland as economic retaliation against the Irish for refusing to meet their land annuities to Britain, but sees it more as a forced move to balance the budget. Nevertheless, London admits it may be the first step in an unfortunate trade war.

Latin America

Chile continues socialistic program; Cosach may be liquidated. . . . Sugar prospects brighten on Cuban export curtailment. . . . Mexico may cut power rates. . . . Latin American nations get second quarter credit ratings.

PROSPECTS for Latin American business have shifted but little during the week.

Cosach is the center of interest in Chile. Rumors continue to come out of Santiago that the great nitrate company will be liquidated. Meanwhile, London and New York were called upon to renew, on July 1, their acceptances to Cosach which are secured by stocks of nitrate held outside of Chile. Europe is further concerned with the company because of renewed negotiations aimed at reestablishment of the nitrate cartel which broke up last year. If the coming meeting at Paris is to bring any favorable result, Germans and Chileans will need to thresh out differences which have so far prevented accord.

Chilean Elections Planned

The new Socialist government has announced that Oct. 2 is the date set for elections to a new constitutional assembly in which the trade unions will have considerable authority. It is generally believed in New York that Chile is destined to work steadily toward a much more socialistic government but that no further radical changes are likely to come immediately.

Sugar prospects brightened this week when Cuba carried through the plan to withdraw 700,000 tons of sugar from the quota allowed for export to the

United States, this sugar to be held until the export price reaches $1\frac{1}{4}$¢. Partially to compensate the Cubans, 115,000 tons were added to the island's allocation in other markets.

Mexico Tackles Power Rates

Mexico is planning to cut power rates. If the Electric Control Commission recommends it, rate cuts will be made immediately following a survey now under way. The companies affected are principally foreign owned. The 2 largest are the Mexican Light and Power Co., Canadian held, and the various subsidiaries of the American Foreign Power Co., affiliate of Electric Bond & Share.

The National Association of Credit Men has just released from New York headquarters the credit ratings of the various Latin American countries for the second quarter. They are:

Fairly good: Panama, Argentina.

Poor: Venezuela, Brazil.

Very poor: Mexico, Costa Rica, Guatemala, Honduras, Haiti, Paraguay, Uruguay, Salvador, Peru, Dominican Republic, Colombia, Ecuador, Cuba, Nicaragua, Bolivia, Chile.

Panama, Puerto Rico, and Argentina are listed as "prompt" in the collection survey. Venezuela, Haiti, Brazil, Guatemala, Mexico, and the Dominican Republic are rated as "fairly prompt." The rest are "slow," or "very slow."

Far East

Trade slack. . . . Japan prepares to enforce new exchange restrictions. . . . China business slow to recover.

BUSINESS in the Far East is quiet, with few significant political developments.

Japan is initiating a new foreign exchange law. Under its provisions the Finance Minister is empowered to order holders of foreign exchange to sell it and foreign currency securities to the government, to require detailed reports of deals from banks, and from firms and individuals with monthly foreign currency assets and liabilities in excess of 1,000 yen. The compulsory sale of foreign securities and currencies will not be enforced immediately. No reports will be required on exchange transactions to which shipping documents are attached.

Japanese foreign trade in the last 10 days of June showed a favorable balance. New raw silk is coming on the market this week. Sales to China are still restricted.

Chinese trade is reviving slowly.

The Figures of the Week And What They Mean

The close of the first half of 1932 finds steel activity at a new low in the history of modern steel production, with little to look forward to in the coming summer months. . . . Even Ford appears to have revised his schedules downward so that June will fall short of the peak in motor production for this year. . . . Construction turned downward for the first time in 1932 under the weight of smaller public works and utility awards, while residential building reached a new low. . . . Electric power consumption was stimulated by radio listeners of the recent conventions. . . . Carloadings slumped sharply after the tax anticipation rush ceased. . . . Commodity prices show greater strength.

STEEL production came almost to a standstill in the holiday week just past. According to *Iron Age*, operating activity is estimated at 12% of capacity against 15% the preceding week. Since production has steadily declined during June, the decline of the July 4 week was less drastic than in former years. The adjusted index moved only slightly downward to 22% of normal.

June closes with the steel industry at probably the lowest point in its history, and with the future still dim. Pig iron production during June was at a daily rate of only 20,935 tons, the smallest since the close of 1896. Only 46 blast furnaces remained in operation at the beginning of July. The daily rate of output in June declined 17% from May.

Automobile Production Less

The steel industry is expecting little from the automobile trade in the next few months. Ford remains the most important buyer, but reports are now appearing that his June volume fell below the 100,000 mark expected, and that July will find a schedule of 85,000 and August of 70,000. *Iron Age* estimates the June motor output for the United States and Canada at 175,000 units against the 193,370 of May.

Rail buying continues to dwindle in spite of the accumulation of bad order cars and locomotives. The month of June was the second month this year in which not a single order was placed for freight cars. During the first half of 1932, *Steel* reports only 359 units ordered against 6,044 last year.

The volume of structural steel buying in June surpassed 125,000 tons and ranks June among the best months of the year. The projects are largely of a public nature.

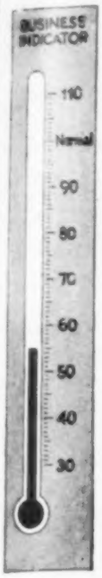
The steel scrap markets are practically stagnant, with prices unable to hold. The *Iron Age* scrap price reached a new low in the past week. Price weakness also appeared in finished steel prices, and concessions in tin are not unknown.

The taking of inventory early in July will further diminish the demand for steel. Every effort is being made to increase cash assets. Only National Steel is expected to have earned dividend requirements during the second quarter of 1932, having profited by its nearness to the Detroit motor market.

June has sharply reversed the favor-

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1927-1931)
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*55.0	†54.2	76.6	....
PRODUCTION				
Steel Ingot Operation (% of capacity)	12	15	23	55
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$5,315	$5,584	$12,422	$20,737
Bituminous Coal (daily average, 1,000 tons)	*693	†675	1,125	1,368
Electric Power (millions K.W.H.)	1,457	1,441	1,607	1,568
TRADE				
Total Carloadings (daily average, 1,000 cars)	83	86	127	161
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	61	64	86	105
Check Payments (outside N. Y. City, millions)	$2,820	$3,009	$4,940	$5,990
Money in Circulation (daily average, millions)	$5,704	$5,556	$4,848	$4,779
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.43	$.43	$.49	$1.06
Cotton (middling, New York, lb.)	$.059	$.054	$.100	$.164
Iron and Steel (STEEL composite, ton)	$29.52	$29.52	$31.11	$34.51
Copper (electrolytic, f.o.b. refinery, lb.)	$.051	$.052	$.081	$.128
All Commodities (Fisher's Index, 1926=100)	59.6	59.5	70.6	89.0
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,359	$2,313	$963	$1,267
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$18,754	$18,819	$22,486	$22,129
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,518	$6,519	$7,945	$8,641
Security Loans, Federal Reserve reporting member banks (millions)	$4,745	$4,778	$6,746	$7,222
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$342	$359	$1,479	$3,578
Stock Prices (average 100 stocks, Herald-Tribune)	$74.67	$75.14	$123.20	$151.97
Bond Prices (Dow, Jones, average 40 bonds)	$69.67	$70.08	$95.79	$95.67
Interest Rates—Call Loans (daily average, renewal)	2.5%	2.5%	1.5%	5.2%
Interest Rates—Prime Commercial Paper (4-6 months)	2½-2¾%	2½-2¾%	2%	4.1%
Business Failures (Dun, number)	661	†617	413	436

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

able and steady upward trend in construction activity this year, by showing a decline of nearly 23% from the May total of $146 millions. Contracts awarded in the 37 states, according to F. W. Dodge, aggregated only $113 millions. The index for the period ending June 25 declined sharply from 28% to 24%.

Construction Shrinks

The first decline below the preceding month in the volume of public works and utilities was sufficient to turn the tide of the total construction volume. With awards of $50 millions, the shrinkage for the month amounted to nearly 19%, and with allowance for the greater number of days in June than May, the decline is 22%.

Non-residential building activity took the sharpest slump from the May totals, amounting to 33%. Awards were valued at $39.8 millions against $58.9 millions the preceding month. On a daily basis, the decline is fully 35%. Residential building has dwindled to a new low record for the 37 states. A 10% decline from the May total left this important branch of construction with a volume of little more than $23 millions.

Bituminous coal production during the week ended June 25 made a second modest gain. The index stands at 35% of normal. Injunction proceedings have now been instituted against the Appalachian Coals, Inc., a sales agency formed several months ago to correct the undercutting of prices which threatened to demoralize the industry (page 7).

Though radio concerns estimate that the broadcasting of the Democratic and Republican conventions cost them approximately $700,000, the fact that the American public stayed up late to listen made a bulge in the electric power consumption. Output of electric power has steadily increased in the past few weeks, though it is difficult to assign any concrete improvement in industrial activity as responsible. The index rose to 74% for the week ended July 2.

The mild spurt in carloadings believed to have been stimulated by a desire to evade the new tax law which took effect June 21 faded suddenly during the week of June 25. The index based on miscellaneous and less than carlot freight declined to 52% of normal.

Next Quarterly Estimate

The Shippers' Regional Advisory Board estimates that shipments of some 29 principal commodities in the next 3 months will run about 21% below the third quarter of 1931. During the first half of 1932, carloadings declined more than 25% below the same months of 1931. Net operating income of the first 66 roads to report May earnings are 70% below a year ago, a considerably worse showing than in the preceding month.

Check payments during the month of June in the 140 cities outside of New York City moved irregularly just below the $3 billions mark. The index based on the past 2 weeks stands at 64% of normal.

Currency circulation continues upward due in part to the usual demands preceding the July 4 holiday and in part to the still unsettled banking situation at Chicago, where 12 more banks closed during the week ending June 30. The country as a whole reported 44 banks closed, bringing the June total to 131 compared with 80 in May, according to figures compiled by the *American Banker*.

Commercial loans declined for the 102 cities as a whole, though in the New York and Boston districts an increase was reported. The index remained unchanged at a point 6% above normal.

Commodity Prices

Commodity price indexes have shown a gratifying tendency to rise in the past few weeks, due chiefly to gains in food products. In the last few days, increases were scored by sugar, cattle, hogs, cocoa, and coffee. Sugar prices rose following the signing of the agreement to hold off 700,000 tons from the market until the price rose to 1½¢ a pound and remained there 5 days. Rubber, silk, cotton and hides also reached higher levels.

The grain markets have sagged to new lows. The metal markets made a poor showing during the week with softness apparent in steel scrap, pig iron, silver, zinc and lead. The domestic price of copper remained steady at 5⅝¢ a pound delivered, but the export price was cut to 5¢ following the withdrawal of important producers from Copper Exporters, Inc. Tin was slightly firmer.

Trends of the Markets In Money, Stocks, Bonds

City member banks show stability and increased liquidity, but outside credit contraction continues and suspensions are still numerous. . . . Stock market stagnant but steady at the bottom. . . . Flurry in foreign issues features bonds under London market influence and Lausanne hopes.

Banking Situation Stable Though Closings Are High

APART from the special effects of the outbreak of bank suspensions in Chicago which forced some further liquidation of loans and investments by member banks in that district, the general banking situation continues fairly stable. This stability in credit volume is still confined to New York City member banks, whose loans and investments at the end of the first half of the year stand at about the same level as at the beginning of March. For outside member banks credit contraction has continued at a steady rate, but deposits have declined more slowly.

Currency circulation increased sharply with the Chicago bank runs, and is back to the point at which it stood in the middle of February, before the anti-hoarding campaign. This currency demand is now being met by the banks mainly through sales of government securities to the Reserve banks. Governments now backing Federal Reserve notes total about $700 millions.

Bank suspensions in the last week of June (44) continued at the high level of the preceding week. June bank mortality (131) was heavier than for any other month this year except January (362). Suspensions have steadily risen each month since March.

The mid-year, an important payment date, passed without any signs of special strain in the money market apart from a temporary rise in the rate for federal funds. Bank statements now appearing show generally increased liquidity over the end of the first quarter.

Federal Reserve policy is apparently passive for the present, apart from aid in special situations such as arose in Chicago. Excess reserves of member banks are being allowed to decline, and are almost back to where they were before open-market operations were begun on a large scale. Organized efforts are being made to stimulate wider use of trade acceptances to supplement the short supply of bankers' bills. The Reserve bill buying rate is still somewhat above the market, and the Reserve banks are not likely to be able to increase Reserve credit outstanding by acquiring many bills without further reduction which would bring rates down to a new record low level. There is some expectation of a further drop in the New York rediscount rate, following the British bank rate reduction to 2%.

The latter, in conjunction with the British conversion announcement discussed elsewhere in this issue (page 5), is a symptom and forecast of further easing of money rates in world money markets. It has brought further weakness in sterling and other European exchanges against the dollar, as funds have been withdrawn from London. But no gold movements of any consequence affecting the domestic situation have occurred in recent weeks.

Slack Trading Marks Uncertain Stock Week

THE stock market continues to move in the same narrow range as in recent weeks, hovering around the June 1 lows, apparently unable to decide what direction is to be indicated by political and business developments during the

next few months. Since the beginning of June, in fact, this hesitancy has been the outstanding feature of the behavior of the market, the averages having closed the month at almost the same level as at the outset.

Even the Democratic convention outcome had little marked effect over the holiday, except for some selling of utilities which reflected the influence of rate readjustment now started in scattered cases rather than any unfavorable interpretation of the nomination.

Resistance to further decline, in spite of the pressure of short interest supposed to be piling up, is probably explainable by optimistic interpretation of signs of increased stability in the financial and business situation and expectation of a fairly favorable result of the reparations conference.

Trading remains extremely slack, and slow liquidation of security loans continues. The market is now practically on a cash basis. Borrowings of N. Y. Stock Exchange members at the end of June were barely a quarter billion, lowest in the record, and comparing with about $1½ billions a year ago and $8½ billions in September, 1929.

Lausanne and London Stir Foreign Bonds

A SHARP rise in the foreign list was the sole feature of the bond market this week. German governments and many industrials, together with Austrian and Australian issues, showed strong enthusiasm both on the New York and London markets over the expected outcome of the Lausanne Conference. Some issues were up 20 or more points from the lows for the year, notably the Dawes and Young Plan bonds. The general list was not much affected, and the domestic bond averages have been fairly steady.

New Issue Activity

Another, and perhaps more fundamental, influence in the foreign bond flurry was the strength of the London market following the reduction of the British bank rate and the war loan conversion announcement. These events were the signal for an abrupt readjustment in the prices of gilt-edge fixed-interest securities in England and started a rush of investors into safe issues promising higher yields. They favor further reduction in long-term interest rates and a revival of activity in new issues in the London market. Recent successful flotation of two large Canadian provincial bond issues in London is regarded as a forerunner of a switch by Canadian borrowers from the American market.

June public financing in this market was a little larger than May, but still barely a third of that for last June. Utility bond maturities, which will be heaviest on record this year, amounting to half a billion, are mostly concentrated in the second half, with about $356 millions coming due, and the market still dubious and dull.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

July 13, 1932

Clinical Note

Most important economic changes come slowly and silently; we only notice them suddenly and they surprise us only because they have gone so far before we see them. We may be sure that the process of recovery from so severe a depression as this will be no exception. It will have proceeded inconspicuously and automatically for a considerable time before the attention of many of us will be attracted to its symptoms. This is perhaps why some business men of sharp instincts are always able to anticipate the turn of the tide and profit by it.

Another confusing thing about the course of recovery is that it does not come in any single, smooth, or consistent way, but as the result of forces that seem conflicting and for a long time apparently work at cross purposes, until the constructive factors gain the upper hand and swing the others into line. Then, by the time we are aware of them, everything seems to be moving in one direction, and everybody climbs aboard the bandwagon, taking some of his troubles along but leaving most of his blue funk about them behind.

These reflections are by way of footnote to several widely separated and apparently unrelated events of recent weeks, which may or may not have some significance to those who are sensitive to the subtle sea-changes in the economic situation. On the one hand we see an outstanding railroad and many less conspicuous business concerns attempting to readjust their capital structure, write down their debt obligations, and lower their fixed charges, while overseas Great Britain proposes to reduce the burden of her public debt by the most colossal conversion operation ever undertaken, and reparations are about to be finally written off.

At the same time we see the Bank of England reducing its discount rate to 2% and the Federal Reserve Bank of New York to 2½% while the Administration considers provisions for putting public credit at the disposal of private industry for new enterprise at the low rates at which the government can borrow money today.

Both these things—one part of the picture of deflation, the other an aspect of the effort toward credit expansion—converge from opposite poles on the problem of recovery and point to the two-sided process by which we begin to see it may come.

It is becoming clearer that no government can help a people who do not help themselves and that recovery can come only with a natural and spontaneous revival of private enterprise. This means, on the one side, a readjustment of the burden of public and private debt to the new level of values established by the deflation of prices, so that business can again secure fresh working capital which it can use with prospect of profit. On the other side it implies a renewed flow of new long-term capital into the improvement of established enterprises and the development of new ones, at a cost in long-term interest rates which promises some prospect of profitable operation.

As, in both these ways, capital costs are reduced to correspond with the new level of prices, business can again establish itself on a self-sustaining basis and begin to build toward a higher level of employment and prosperity. Both processes must go together; reliance on either alone is inevitably ineffective or fatal. The drastic blood-letting of deflation alone would kill before it cures; it must be accompanied by the stimulant and nourishment of new credit, which in turn, without the elimination or lightening of the burden of old dead debt, would be poison to the patient. The significant and hopeful thing, at this stage, is that both prescriptions in the economic pharmacopœia are being applied, unconsciously but with increasing scope and effectiveness, in the efforts of individuals and public agencies.

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